

JFMIP NEWS

A Newsletter for Government Financial Managers

Spring 2002, Vol. 14, No. 1

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Top Honors Go To Eisenhart and Petro

Larry J. Eisenhart, Deputy Chief Financial Officer, U.S. Department of State, and Jim Petro, Auditor of State, Ohio are this year's recipients of the Donald L. Scantlebury Memorial Awards for distinguished leadership in financial management in the public sector. David Walker, Comptroller General of the United States, General Accounting Office (GAO), presented the awards during the luncheon session at 31st Annual JFMIP Conference on March 12, 2002, in Washington, DC. The Scantlebury awards are given annually to public sector leaders who have contributed significantly in financial management improvements over a number of years. These awards commemorate Don Scantlebury, a



Jim Petro, Auditor of State, Ohio; receives award presented by David Walker, Comptroller General of the United States, General Accounting Office (GAO)



Larry J. Eisenhart, Deputy Chief Financial Officer, U.S. Department of State; receives award presented by David Walker

dynamic leader, whose ideas and actions brought significant advances to financial management in both the public and private sectors. This year's award recipients have the key to renewal and have demonstrated extraordinary leadership and personal commitment, dedication, and integrity in financial management and auditing.

Larry Eisenhart's keen vision and innovative strategies, as acting Chief Financial Officer (CFO) and Deputy CFO at the Department of State, over the past 10 years have created an environment in which financial management has been significantly

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JFMIP Annual Conference – A Huge Success!

The Joint Financial Management Improvement Program held its 31st Annual Conference on "Getting to Green—The President's Management Agenda" on March 12, 2002, with over 900 senior financial management officials in attendance. This year's speakers featured Mark Everson, Controller, Office of Management and Budget; Stephen Perry, Administrator, U.S. General Services

Administration; Paul O'Neill, Secretary of the Treasury; and David Walker, Comptroller General of the United States. Management reforms were emphasized throughout the day, including discussions on the five government-wide initiatives under the President's Management Agenda—e-government, improved financial performance, competitive sourcing, strategic management of human capital, budget and performance integration. In addition, a session on "Improving Asset Management" was held. Highlights and summaries of the Conference sessions can be found in this issue of the *JFMIP News*. Speakers' PowerPoint

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A Joint Perspective

My initial thoughts for Spring 2002 are to thank the JFMIP Principals, Steering Committee members, the speakers, and the many volunteers who made the 31st JFMIP Conference, "Getting To Green: the President's Management Agenda," a major success. I would also like to thank Doris Chew, of the JFMIP staff, for her masterful orchestration of this annual event. This *JFMIP News* includes the highlights.



*Karen Cleary Alderman
Executive Director, JFMIP*

The conference provided a high level overview of major factors driving the future of Federal financial management including the President's Management Agenda, the role of the JFMIP Principals, and the state of financial management systems and human capital.

The *President's Management Agenda* is the first driving force. Issued in August 2001, it includes five governmentwide goals and nine agency specific goals to improve Federal management. The governmentwide goals are: improve financial performance; expand electronic government, budget and performance integration, strategic management of human capital, and competitive sourcing. All good managers know that what gets measured gets done. OMB Director Mitchell Daniels formalized the Executive Branch Management Scorecard as the method to monitor agency progress in achieving the President's Management Agenda. The scorecard identifies the standards for success and employs a simple grading system: green for success, yellow for mixed results, and red for unsatisfactory. Agencies are graded along two dimensions: (1) current status against standards for success and (2) progress in implementing initiatives that support the President's Management Agenda. The FY 2003 Budget submission included the current status for each agency against scorecard standards. The initial score card was characterized "as a sea of red." However, the agenda and the

scorecard are serving to focus management effort and to organize the CFO Council to make progress.

The second force is active engagement of the JFMIP Principals: Comptroller General David Walker, Treasury Secretary Paul O'Neill, OMB Director Mitchell Daniels, and OPM Director Kay Coles James. Traditionally, JFMIP has been managed by its Steering Committee. Now the Principals meet quarterly to discuss and decide on major strategic and tactical issues such as the defining "success" in financial management, establishing audit committees in Federal agencies, strengthening financial management human capital, among others. Collaborative engagement and leadership at the most senior level signals common purpose and commitment to action.

The third force is technology and the state of Federal financial systems. There is increasing recognition that financial systems and other business systems must work together. Systems that impact the improvement goals go beyond what has traditionally been defined as financial systems. Department of Defense reports 80 percent of the data required for audited financial statements comes from inventory, logistics and other program systems that are not primarily financial. The systems environment is one of massive transition. OMB's FY 2000 financial system inventory reported agencies were planning or replacing about 500 financial system applications. The scale of system changes combined with continuous requirements and technology changes present major challenges in program management, change management, and enterprise integration.

JFMIP's systems efforts are to identify requirements, test and qualify vendor core financial system software, and provide an electronic knowledgebase for all stakeholders. Expected results for this spring for requirements document development include issuance of the final *Acquisition/Financial Systems Interface Requirements* document, the exposure draft of the *Non-Income Tax Revenue Systems Requirements* document, and, in partnership with the CIO Council Federal Architecture and Infrastructure committee, beginning the

update of the *Framework for Federal Financial Management Systems*. The major testing emphasis has been to redevelop the Qualification Test to meet the 2001 Core Financial System Requirements and commence testing vendor software by the end of the fiscal year. We will be meeting with senior financial officials in late May to share how JFMIP has responded to their call to continue to "raise the bar" in our testing process and provide greater transparency to the process.

The fourth force—better described as challenge—is human capital. The Accounting and Budget Occupational series got smaller between 1995 and 2001, with a 21 percent reduction from 134,100 to 105,900 permanent employees. This partly reflects more efficient business practices and systems. For instance, clerical positions dropped in half to 5,500 reflecting reduced need for voucher examiners and cash processors as government made use of charge cards and automated travel vouchering systems. The professional work force also dropped by 17 percent, from 42,900 to 35,600. Overall numbers mask the aging of the work force. In 1995, 47 percent of financial professionals were 45 and older; in 2001, 61 percent. We are not recruiting or keeping many young professionals. The median age of financial professional accessions in 2001 was 40 years old. Between 1995 and 2001, the annual separation rate for our 24 to 29 year old financial professionals was about the same as the 55 to 59 year old cohort. Separation rates for the over 50 year old cohorts have been declining during the last 6 years resulting in growing representation of retirement eligible workers. The financial management machinery is being held together by an experienced, dedicated work force that could leave in large numbers in a short period.

JFMIP is undertaking a study of financial management strategic human capital issues. The goal is to identify financial management human capital needs and strategies that take into account known demographics and planned changes, business practices, and technologies. As Federal agencies automate

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New CFO Council Members

Christopher B. Burnham was sworn in as Assistant Secretary of State and Chief Financial Officer (CFO) Department of State on January 25, 2002. Mr. Burnham leads the Bureau of Resource Management, and he



Christopher B. Burnham

provides strategic planning, performance and accountability, budgeting and global financial services for the Department.

He returns to government after serving as the Chief Executive Officer of a leading asset management and mutual fund company, PIMCO's Columbus Circle Investors, and as Vice Chairman of PIMCO's mutual fund group. In 1994, he was elected Treasurer of Connecticut, where he received national recognition for sweeping reforms to all aspects of the financial systems and money management operations of the State of Connecticut. Prior to that he was an investment banker with CS First Boston and with Advest Corporate Finance. He was elected to the Connecticut House of Representatives three times, and served as Assistant Minority Leader. He also serves as a Lieutenant Colonel in the U.S. Marine Corps Reserve. Mr. Burnham is a graduate of Washington and Lee University, and holds a MPA from Harvard University.



Edward R. Kingman, Jr.

On February 7, 2002, **Edward R. Kingman, Jr.** was sworn in as the Assistant Secretary for Management and CFO in the U.S. Department of the Treasury. He is the senior advisor to the Treasury Secretary and Deputy Secretary on all matters involving internal management of the Department and its Bureau. He also serves as the Chief Operating Officer of the Department and represents the Department at the President's Management Council.

Mr. Kingman was President and Chief Executive Officer of EuroTel Praha in Prague from 1998 to 2000, where he developed and led strategic initiatives for this wireless telecommunications company. Prior to that, he held senior management positions at Grupo IusaCell in Mexico City; Vice President of Finance –Network for Verizon Communications (formerly Bell Atlantic); and various positions with the Chesapeake and Potomac Telephone Companies. He has a B.A. from American University, an MBA in Finance from American University, and attended the Harvard Business School's Advanced Management Program.

Jack Martin was sworn in as CFO of the U.S. Department of Education on February 20, 2002. As the CFO, he advises the Secretary on financial management, internal control and audit resolution, financial systems,



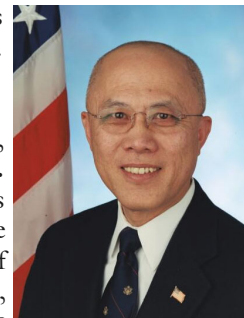
Jack Martin

contracts and procurement, and grants policy issues. Previously, Mr. Martin was Managing Director and Chief Executive Officer (CEO) of Jack Martin & Co., P.C., Certified Public Accountants (CPA), and Chairman and Acting CEO of Home Federal Savings Bank of Detroit. From 1991-94, he was the Chairman of the Provider Reimbursement Review Board, U.S. Department of Health and Human Services.

Prior to founding his own CPA firm, Mr. Martin worked at General Motors Corporation in Detroit, and at Control Data, where he held a number of management positions in the U.S. and Canada. He commenced his public accounting career on the consulting staff of Touche Ross & Co. (now Deloitte and Touche). He is a CPA in several jurisdictions and served on the Practice Standards Subcommittee of the American Institute of Certified Public Accountants. He holds B.S. and M.B.A. degrees from Wayne State University in Detroit, Michigan and did post-graduate work in labor economics at the University

of Minnesota. He is a veteran of the U.S. Marine Corps.

On March 28, 2002, **Samuel T. Mok** was sworn in as the new CFO at the U.S. Department of Labor. Prior to that, Mr. Mok served as the managing



Samuel T. Mok

member of Condor Consulting, LLC, a Washington, DC-based international consulting firm, which he provided and leveraged business and government contacts for American companies in the Asian market.

His professional career spans both the American private and public sectors. Mr. Mok was chief executive officer of G.L. Associates, a New York-based business systems consulting firm. He was the first career comptroller of the U.S. Department of the Treasury, and was a foreign service officer at the Bureau of East Asian and Pacific Affairs at the Department of State. He held various positions at U.S. News & World Report and was a director of accounting at Time-Life Books. He was an auditor at Main & Hurdman (now KPMG Peat Marwick) and was a senior auditor with Parnell Kerr & Forster. He also served in the U.S. Army in Okinawa, Japan as a strategic intelligence officer and was promoted to the rank of captain at the U.S. Military Academy at West Point. Mr. Mok received his B.S. in accounting from Fordham University and M.A. in auditing from Catholic University. □

OPM Successfully Implements Financial Management System

In December 1999, the Office of Personnel Management (OPM) set out to accomplish the highly challenging task of implementing a new financial system. Now, a little more than a year later, they are proud to announce that the project was completed on time, on function, and within budget. On October 1, 2001, OPM's new Government Financial Information System (GFIS), based on American Management System (AMS) Momentum 3.6 software, commenced live operation as the new official system of record. The initial phase includes general ledger, budget execution and accounts receivable modules. Phase 2, scheduled to go live August, will include accounts payable, cost accounting and procurement functionality. While the initial implementation was not without trials and tribulations, the OPM project demonstrates how the key project management elements can come together in a government agency to produce project implementation success.

Making the Decision Based on Defined Business Needs.

In 1998, OPM became increasingly concerned that the existing financial management system was outdated, not compliant with JFMIP requirements, and no longer supportable by the vendor. In response, they engaged the Logistics Management Institute (LMI) to conduct a requirements gap analysis and make recommendations. The LMI study, entitled "Closing High Risk Gaps", confirmed OPM's initial assessment by identifying numerous gaps in the legacy system's ability to meet accounting and budgetary requirements. The analysis covered core financial, payroll, and procurement systems requirements. LMI agreed that acquiring a JFMIP compliant Core Financial System was needed. They also recommended actions to address deficiencies immediately, including obtaining cross-servicing support for payroll, travel, and awards functions. The analysis and documentation produced by LMI served as the basis for the capital planning business case and ultimately the solicitation. The complete project cost (Phase I and II) including transition, software, implementation, and training will be approximately \$12 million. In January 2001, a contract was awarded to American Management System (AMS) for purchase and installation of Momentum 3.6, subsequently designated the Government Financial Information System (GFIS) through an agency wide naming contest.

Establishing Active and Engaged Leadership

A key factor in OPM's success has been the ability of the various OPM organizations and the vendor to pull together for the common goal. Understanding that engaged leadership is vital, the Chief Financial Officer, Kathleen McGettigan, as the chief proponent, selected Maurice Duckett, Senior Advisor to the CFO, as the Project Director for implementing GFIS. The CFO and the Project Director had worked together in previous successful system implementation efforts and had a great deal of confidence in each other's talent and commitment to the task. Even though the project responsibility was placed under the CFO, a Steering Committee of senior level stakeholders was formed to be the final arbiter of tough agency-wide decisions. The Steering Committee included the Chief Information Officer (CIO), the CFO, the Associate Director for Contracting and Administrative Services, and representatives of the key program areas including the Associate Director for Investigation, the Associate Director for Retirement and Insurance, and the Acting Director for HR & EEO.

Forming the Project Team for Success.

The management approach was to use an integrated project team that included government and vendor personnel. The main objective in forming it was to ensure that it had the best skill mix, experience, and understanding of the requirements, including operations accounting, systems accounting, budget, and information technology. Many of the core government team, which included 6 individuals, were selected based on past

Developmental Assignments at JFMIP

JFMIP plays a significant role in expanding the competencies of future federal managers by providing developmental assignments through the Executive Potential Program (EPP) and Executive Leadership Program (ELP). The EPP Program is a 12-month nationwide career enhancement program that offers training and developmental assignments to high-potential GS 13-15 employees who are moving into managerial positions. The ELP is a one-year management development program for individuals at the GS 11 and 12 levels. Both programs are coordinated through the Graduate School, Department of Agriculture.

Commander Daniel Christovich is the Chief, Financial Systems Management Branch, U. S. Coast Guard Headquarters. He is responsible for the office budget of \$12.5 million and is the liaison with the



Cdr. Daniel Christovich

Coast Guard Finance Center in Chesapeake, Virginia and various coordination and management activities with the Coast Guard's Financial Management Information Technology System requirements. He has held other positions with the Coast Guard, including Chief, Policy and Programs Division, Office of Financial Management and been assigned to 3 Coast Guard cutters and a law enforcement detachment. He graduated from the United States Coast Guard Academy with a Bachelor of Science in ocean engineering, and has an MBA from George Mason University. Dan is on a 60-day developmental assignment with the Executive Potential Program at the JFMIP. Dan is working on the Federal financial management human capital study that will recommend strategies to meet the future needs of the Federal government.

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FINANCIAL MANAGEMENT PROFILE

Stephen J. Varholy's career in financial management began nearly 39 years ago as a General Accounting Office (GAO) auditor. Eighteen years later, he joined the Arthur Young firm and became a partner. After ten years with Arthur Young, Mr. Varholy left Washington, DC to work with the University System of New Hampshire. He subsequently returned to Washington, DC with the Department of the Interior and later transferred to the National Aeronautics and Space Administration (NASA), where he has been for the past seven years. Believing strongly in its mission, Mr. Varholy is currently serving as the Deputy Chief Financial Officer (CFO) of NASA.

Mr. Varholy has a BBA in accounting and an MS in public financial management. He is a Certified Public Accountant (CPA) and a Certified Government Financial Manager. He is a member of the Association of Government Accountants and the American Institute of Certified Public Accountants.

As Deputy CFO of NASA, Mr. Varholy oversees four broad areas – financial management, financial information systems, resources analysis, and strategic management and planning. His principal duties include budget formulation and execution, accounting for \$50 billion in assets, and complying with the CFO Act.

Leadership. Mr. Varholy's leadership maxim is simple: lead by example and respect the staff. In return, he expects his staff to demonstrate intelligence, energy, and good judgment (which he calls "the golden rule"). He also leads by doing whatever it takes to help his staff do their jobs as easily as possible.

Mr. Varholy makes decisions by getting as much input as possible from the people affected by the decision. He resolves conflict in the office by immediately talking about it and requires his staff to speak frankly. His advice to those aspiring to leadership positions is to listen more and talk less and to give 110% effort into the job.

Challenges. The challenges facing Mr. Varholy at NASA are many and are not dissimilar from other federal executives. They are: 1) implementing NASA's "Integrated Financial Management Program," which is an all-inclusive accounting system that promises to be more efficient and faster than previous systems; 2) growing scientists and engineers into managers; 3) fulfilling the President's Management Agenda; 4) dealing with an aging workforce and vying for new talent; 5) competing for resources, given that security and homeland defense are national priorities; and 6) implementing full cost practices, that is, managing, budgeting, and accounting on a full cost basis so that all costs are associated with specific programs and projects.

The CFO. According to Mr. Varholy, a successful CFO acknowledges that the CFO office serves to support the primary mission of an agency and sees the CFO Act as critical to the future

of federal financial management. He also believes that CFOs should assume greater leadership in their agencies by promoting the importance of financial management to all employees.

Financial Management. Mr. Varholy maintains that financial stewardship and accountability can improve only if managers understand and adhere more strictly to the philosophical principles of the Anti Deficiency Act, the Government Performance and Results Act, and the President's Management Agenda. To augment this, financial managers must have an understanding of policy formulation and general management. He further believes that financial managers need to evolve from crunching numbers to performing complex analyses.

Mr. Varholy estimates that getting a clean opinion on the consolidated government-wide financial statements is still several years away as more needs to be done to resolve agencies' financial systems problems. Mr. Varholy also thinks that accelerated deadlines and interim reporting will provide a valuable stimulus.

As far as implementing Federal Accounting Standards Advisory Board accounting standards, Mr. Varholy asserts that it is easy from a theoretical point, but quite another story in reality. The example he uses is accounting for a satellite that is launched today but doesn't reach its destination for three years. Until the spacecraft reaches its destination and is working properly, it is called "work-in-process in-transit".

Some suggestions for improving financial management in government are balancing outsourcing initiatives with those that are inherently government in nature, commissioning a special board to simplify the federal budgetary process, and using commercially off-the-shelf software to modernize financial systems.

Personal Background. Mr. Varholy's strong work ethic and expectation for excellence stem from his upbringing and education. He spends his off-time doing yard work, reading World War II history, restoring old cars, and cheering for the New York Yankees. Of his many achievements, Mr. Varholy is most proud of his three children, whom he characterizes as happy, well-educated, and successful. Post federal service will include some consulting work and spending more time with his best friend – his wife.

Author's Side Notes:

There's no doubt in my mind that some day we'll see Steve cruising down Main Street in his restored '62 Impala SS wearing a NASA T-shirt with his arm around his best friend. My only regret during the interview is that we couldn't savor the winning of another World Series title for the New York Yankees. ☐



Stephen J. Varholy
Deputy Chief Financial Officer
National Aeronautics and Space
Administration



Restructuring FASAB

On January 11, 2002, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States announced a restructuring of the Federal Accounting Standards Advisory Board (FASAB) to increase the number of public members on the Board from three to six, decrease the number of federal government members from six to three, and provide for terms of up to ten years. The full text of the Joint Press Statement of the US Department of the Treasury, Office of Management and Budget, and the General Accounting Office, is available on the website (www.fasab.gov/notice.htm).

The Board's current public members, who are David Mosso, formerly vice-chairman of the Financial Accounting Standards Board; John Farrell, retired partner from KPMG LLP; and James Patton, professor with University of Pittsburgh's Katz School of Business, will continue and will be joined by three new members.

The FASAB's Appointments Panel is soliciting candidates from all areas of financial management. The Appointments Panel is made up of the FASAB Chairperson, FASAB members from Treasury, OMB, and GAO, and representatives of the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Foundation, and the Accounting Research Association. Those interested in Board service should visit <http://www.fasab.gov/fasabinfo.htm> to obtain more information about the Board. The site includes *FASAB Facts* as well as a Statement of Board Members' Responsibilities. Interested candidates should contact Marian Nicholson at 202 512-7350 for details on how to be considered.

To facilitate continued involvement by the federal community, the FASAB Internet site (www.fasab.gov) will post briefing materials for each Board meeting. These briefing materials will allow observers and others to follow more closely the Board's progress on active projects. As always, FASAB meetings are open to observers. In addition, on a trial basis, Agenda Hearings will be incorporated at selected meetings of FASAB. Participants will be invited to comment on (1) potential future projects being considered by the Board and (2) the progress of current projects in advance of formal proposals by the Board.

Consolidated Financial Report of the US Government (CFR)

The Board agreed to issue an exposure draft identifying the target audience of the CFR as external users. The Board issued the ED on March 19, 2002 with the comment period concluding June 30, 2002. For more information, contact: Lucy Lomax, 202-512-7359, lomaxm@fasab.gov.

The Board issued an exposure draft that would set specific standards for the CFR. The exposure draft proposes three standards:

- Clarifies that all Statements of Federal Financial Accounting Standards (SFFAS) apply to the CFR, as well as to component entities, unless otherwise provided by a current or subsequent standard.
- Exempts the CFR from the requirement to prepare the Statement of Budgetary Resources and Statement of Financing. (The Board is requesting users to comment on whether these two reports, which provide information on appropriations and budgetary resources, would provide useful information to readers of the CFR.)
- Requires two new CFR financial statements: a) reconciling the net operating results from the proprietary accounting system with the budget surplus or deficit (the "reconciliation statement"), and b) providing a cash flow statement in the form of a reconciliation between the budget surplus or deficit and the annual change in cash ("cash flow statement"). (The Board is also requesting users to review and comment on the understandability of two different illustrations of cash flow statements. The illustrations were designed to make the information understandable for citizens who would not have special expertise in federal accounting or financial management.)

For additional information, contact Richard Fontenrose, 202-512-7358, fontenrosr@fasab.gov.

Board to Eliminate National Defense Property, Plant, and Equipment Category

On March 25, the Board issued an exposure draft that would eliminate the category National Defense PP&E (NDPP&E). The exposure draft proposals are to

- rescind the term ND PP&E,
- categorize previously considered ND PP&E as general PP&E. Accordingly, these items would be capitalized and, with the exception of land, depreciated.
- permit the use of the composite or group depreciation methodology to calculate depreciation.

The amendments proposed in this exposure draft would be effective for accounting periods beginning after September 30, 2002. Comments are requested by May 20, 2002. Contact: Rick Wascak, 202-512-7363, wascakr@fasab.gov.

Trust or Dedicated Funds

At its February meeting, the Board reviewed a list of funds and the staff analysis on categorizing funds and the adequacy of current fund reporting. The Board requested that staff develop similar

FINANCIAL MANAGEMENT PROFILE

Background

Joe Friedl, Director for Budget and Finance, Washington Headquarters Services (WHS), Department of Defense (DoD), leads a staff of 46 professionals in budgeting, accounting, information systems management, and special funds for the Office of the Secretary of Defense and related DoD activities. His duties also include the direction and administration of daily financial management operations in support of OSD and WHS programs, projects, and activities. Some of his major accomplishments are pioneering an automated budget support system, a management analysis cost accounting system, establishing accounting systems for the Pentagon revolving fund, accounting for the military retirement and education trust funds, a pilot program for using private banking services for small purchase disbursements, and developing a travel pilot project that received the Hammer Award.

Joe was a senior budget analyst for the Assistant Secretary of Defense (Comptroller) after serving as a budget analyst for the Army Comptroller. He started work at the Pentagon with the task of automating support of Army procurement budget programs and had responsibilities in operations and military personnel. He entered government service at the Army's Radford, Virginia data processing center as a programmer/system analyst.

Prior to Federal service, he taught mathematics and chemistry in Virginia and West Virginia public schools. He graduated from Concord College in Athens, West Virginia with a B.S. degree in Mathematics, and earned a M.S. degree in Technology of Management from American University, in Washington, D. C. He is a Certified Government Financial Manager and Certified Data Processor.

A composite of experiences, including his education, jobs, training, and civic duties, as well as the influence of mentors and peers prepared Joe for his role as the Director for Budget and Finance. From teaching school, professional training, on-the-job training, and coaching youth sports, he learned the importance of team building. Joe said that teaching and coaching is about getting the message across to the target audience, and likens it to managing an organization. It takes a team to get things done, rather than a few super stars.

President Kennedy's inaugural call ("ask not what your country can do for you, ask what you can do for your country,") to public service had a profound effect on Joe. The study of public service and the importance of creating public value was further engrained in him at the Federal Executive Institute and Kennedy School of Government. In addition, Joe credits his successful career to learning from the many great people that he has worked for and with along the way. He includes in this group General John Kjellstrom (Army Comptroller), Al Bayse (FBI Technical Director), Dick Harshman (OSD Comptroller), Geoff Cratch (his predecessor), and David O. Cooke ("Mayor of the Pentagon").

Personnel

When asked what the keys are to success in his present position, Mr. Friedl credits good people and systems and his belief in a participative management style. He stresses the team approach to getting everybody involved. Each person's input is valuable and taken into consideration before he makes a decision. He strongly believes that the best-qualified people should be placed in the job. He delegates the work to the employees and trusts them to do the job to the best of their abilities. Employees understand their responsibilities and their accountability for their performance.

According to Mr. Friedl, there are three primary ways to enter into financial management: budgeting, accounting, or automation. He entered through automation. His technical background is in mathematics and computers. At DoD, Mr. Friedl helped set up a single automated accounting and reporting system for his organization. He negotiated a Memorandum of Agreement with Defense Finance and Accounting Service (DFAS) and the Secretary of Defense to support accounting for selected DoD agencies. His WHS Allotment Accounting System was the first DoD system to receive GAO approval.

Mr. Friedl has taken several steps to address the lack of qualified, multi-skilled personnel in the financial community who perform the more complex tasks demanded of the Federal government. First, he cross-pollinates his people in budgeting and accounting. He believes that it is imperative that these two groups communicate, and that they pay attention to details, both small and large, in the program activities. In addition to cross-pollination, he believes that job rotation is beneficial to expose employees to other functional areas, thereby gaining a full understanding of the operation. His office handles special projects for the Secretary with process action teams. They work together to strengthen internal controls and reconcile accounting records.

One change that Mr. Friedl would make to improve the role of financial managers in the Federal government would be to set higher standards for financial management credentials. Certifications should be a requirement for financial management jobs. Professional development for financial managers is necessary to promote more qualified, multi-skilled personnel. He applauds the efforts of the Association of Government Accountants and the American Society for Military Comptrollers to certify and professionalize the civil service workforce.

To this end, he recommends re-certification and continual learning, and individual development plans for employees. He stresses the importance of certification as a way for the employees' development and assurance of the public trust. Certification demonstrates that the employees have undergone a rigorous process in learning the subject matter that enables them to become an expert in their area. The certification also enhances marketability throughout all levels of government, supports continued education



*Joe Friedl
Director for Budget and Finance
Washington Headquarters
Services, Department of Defense*

Getting to GREEN

The President's Management Agenda



Mark W. Everson
Controller, OMB

Mark W. Everson, Controller of the Office of Management and Budget, kicked-off this year's JFMIP Conference by discussing the President's Management Agenda and the Executive Branch Management Scorecard. According to Mr. Everson, what sets this management effort apart from prior administrations is that for the first time, the Executive Branch has established its own set of criteria to carefully monitor implementation of the Agenda through the agencies. A specific set of Standards for Success has been developed and the use of the scorecard, a 'simple traffic

light' grading system (green, yellow, red), has been employed to track the progress of the agencies.

The impetus for the management agenda is President Bush's commitment to improving both the management and performance of the Federal Government. Launched in August 2001, the President's Management Agenda focuses on five areas that represent "the most apparent deficiencies where the opportunity to improve performance is the greatest." The Agenda includes (1) strategic management of human capital, (2) competitive sourcing, (3) improved financial performance, (4) expanded electronic government, and (5) budget and performance integration. In addition, there are nine agency specific initiatives that also requiring monitoring. Although the President's Management Council is centrally supervising all of these initiatives, the driving force comes from the agencies, unlike previous attempts at reform.

Today, the overall scorecard could be called 'A Sea of Red', with 85% of the 26 agencies receiving a red grade. That was to be expected, of course, since the criteria for green are based on high standards that one would expect to see in a well-run private sector company. Scores under competitive sourcing, for instance, are indicative of the status quo in government, which does not subject its activities to meaningful competition. In expanding e-government, however, there are several scores of yellow. Only one agency, NSF,

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After award ceremony, pictured are: Frank Sullivan (past Scantlebury award recipient); Sky Lesher, Interior; Larry Eisenhart, State; Karen Alderman, JFMIP; Steve App, Treasury, and Jeff Steinhoff, GAO.

JFMIP Conference a Huge Success

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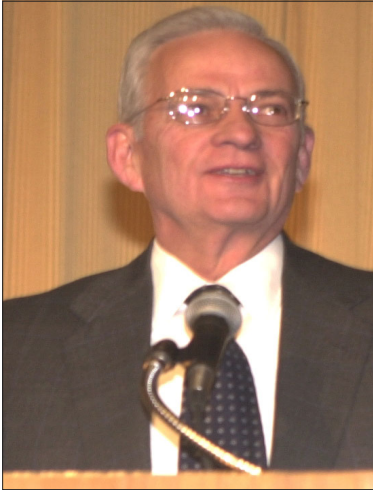
presentations are posted on the JFMIP website, www.jfmip.gov.

One of the highlights of the Conference was the presentation of the Scantlebury Awards for distinguished leadership in financial management to Larry J. Eisenhart, Deputy Chief Financial Officer, U.S. Department of State; and Jim Petro, Auditor of State of Ohio.

The JFMIP would like to thank the speakers, Graduate School, USDA staff, and all of the agency volunteers who worked on the planning and conduct of this year's Conference, and the attendees for making this year's Conference a huge success. □

The agency volunteers included:

USDA - Pat Wensel
Coast Guard - Dan Christovich
DoD - Elvon Lloyd
FASAB - Lucy Lomax
FDIC - Dottie Willey
GAO - Rocky Rockburn and Lisa Shames
Graduate School, USDA - Isabelle Howes,
Marie Breen, Denise Kuhn, Crystal Penn
and Ronell Raam
Interior - Dot Sugiyama
Justice - Rose Cornwall, Sophie Jones,
Marilyn Kessinger, Susan Mata, Christine
Nguyen and Robyn Stanley
Labor - Janet Laytham
Navy - Alicia Hilton, Ann Roseman
OMB - Jean Holcombe, Diane Schenk
Treasury - Rita McPheeters



*Paul H. O'Neill
Secretary of the Treasury*

Paul H. O'Neill Secretary of the Treasury

Throughout his remarks, Treasury Secretary Paul O'Neill referred to people as the essence of an organization. In a great organization, people can affirmatively answer three questions about the organization without hesitation. These questions are:

1. Are you treated with dignity and respect every day?

2. Are you given the things that are necessary for you to make a contribution that adds meaning to your life?

3. Did someone notice that you made a contribution?

Mr. O'Neill's vision is that one day, all of those in service to the Federal Government will be able to answer "yes" to the above questions.

A key enabler of this vision is an organizational culture that is dedicated to "zero incidents." People seldom get hurt on the job in great organizations. The lost-time injury case rate at ALCOA is substantially lower than at Treasury. The difference is not the result of more hazardous work at the Treasury Department. It is the result of more ideas and goals to improve safety. Mr. O'Neill is taking action to create a "zero incidence" culture at the Department

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Stephen A. Perry Administrator, U.S. General Services Administration

What GSA is Doing to "Get to Green"

Congress created the General Services Administration (GSA) in 1949 to improve efficiency in government, by consolidating the procurement and property management activities of several agencies into one. Besides procurement and property management activities, GSA

deals with governmentwide policy and is in the process of establishing the Office of Citizen Services. GSA has 14,000 associates who are dedicated to providing outstanding service to its customer agencies and the American taxpayers. The mission of GSA is "to help federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services and management policies."

The five government-wide goals in the Presidents Management Agenda add up to President Bush's charge to "improve overall government performance by using good management practices." Everyone will have a role and responsibility to bring forth improvement and financial managers are in a place to kick off the Agenda. Changes are needed to bring good government to the American people.



*Stephen A. Perry
Administrator, GSA*

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*David M. Walker
Comptroller General of the U.S.*

David M. Walker Comptroller General of the United States

According to David M. Walker, Comptroller General of the United States, the General Accounting Office (GAO) is committed to lead by example in the performance and accountability business. GAO's primary client is the Congress and, as public servants, we all work for the American people. Although GAO must maintain appropriate independence in connection with executive branch activities, the Comptroller General believes that GAO should work with this administration and other administrations in a "constructive engagement" manner to make progress on issues that are inherently non-partisan and non-ideological in nature. GAO, OMB and others have forged a solid relationship to maximize the performance and ensure the accountability of the federal government for the benefit of the American people. Reflecting the work of GAO's "high-risk" list, the President's Management Agenda (PMA) is one example of a "good government" initiative that has come from these relationships and deserves increased attention throughout government.

The federal government continues to face tremendous challenges to effectively implement the financial management reform legislation enacted by the Congress in the 1990's. Given the tragic events of September 11, the key trends affecting the United States, and our position in the world, and our long-range fiscal challenges, there is an even more critical need for all major federal agencies to re-examine their missions, priorities, strategies and measures for success.

It is important to recognize that the elements of the PMA cannot be addressed in an isolated or piecemeal fashion. They are interrelated and mutually reinforcing. Agencies should address them together along with their other major management challenges and high-risk areas to ensure a broader transformation of the culture of federal agencies'. This transformation should result in agencies

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Panel Session: Budget and Performance Integration

Justine Rodriguez, Deputy Associate Director of Economic Policy, Office of Management and Budget (OMB), began by stating that a transformation to performance-oriented government has begun. The change in the Federal government's approach draws on similar transformations throughout the world and around the nation. The five governmentwide initiatives under the President's Management Agenda focus on getting results through delivering effective services, budgeting for results, aligning and empowering staff, competing acquisitions that are performance-oriented, and reporting results in a transparent way to ensure public accountability. The initiatives, which have the support of top management, ensure that financial and human resources are directed at the same source and outcome.

The Federal government has been gaining experience in performance practices as it produces strategic and annual plans and cost information for responsibility centers. The goal is to begin to

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Panel Session: Competitive Sourcing

For Competitive Sourcing, "Getting to Green" means engaging in public-private competitions to meet the Office of Management and Budget's (OMB) Competitive Sourcing goals. These goals are to complete public-private competitions or directly convert to contract no less than 5 percent of a Federal agency's "FTE's" listed on its FY 2000 Federal Activities Inventory Reform (FAIR) Act inventory of commercial functions by FY 2002, and to compete or directly convert to contract no less than 10% of the agency's FTE's listed on its FY 2000 FAIR Act inventory by FY 2003.

OMB assesses the agency's progress in meeting these goals against two criteria – its current status on conducting and completing competitions/direct conversion actions, and its plan to meet the goals. To date, OMB has given no agency a green rating in competitive sourcing, although some agencies have received a yellow rating on their agency plan.

With this as contextual information, the panel session on competitive sourcing proceeded to discuss what the President's Competitive Sourcing Program focuses on, and provided viewpoints about competitive sourcing from the government's leader in competitive sourcing – Department of Defense – and from a private sector firm recently engaged in a competitive sourcing competition with the Defense Finance and Accounting Service – ACS Government Services. Mr. Joe Sikes, Director, Competitive Sourcing and Privatization, Office of the Deputy Undersecretary of Defense (Installations & Environment), led the panel discussions. Mr. John "Jack" Kalavritinos, Jr., Associate Administrator for Federal Procurement Programs, OMB, and Mr. Merv Forney, President, Business Process Management, ACS Government Services participated in panel discussions with Mr. Sikes.

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JFMIP 31st Annual Financial Management Conference Panel Sessions

Panel Session: Expanded Electronic Government

Mark Forman, Associate Director for IT and E-Government, Office of Management and Budget (OMB), received an early warning signal that the government had yet to develop rational and integrated enterprise architecture. As a condition of Federal employment, he had to fill out 15 forms. Little of the information required was unique to each form. Fifteen times he entered his name and his address. Since each form served a different functional silo, he had to repeatedly enter the same information. What if the focus were reversed? That is, what if electronic government were focused on the end user and provided one portal and one dynamic web site for the user to enter all required data elements only one time? This is but one example of the opportunities for efficiencies that the next generation of E-Gov has to offer. The goal is to eliminate unnecessary redundancy, while improving service quality by simplifying processes and unifying agency islands of automation.

The President has recognized this opportunity by designating "Expanding E-Government" as integral to his five-part Management Agenda. OMB has assembled an Interagency E-Government Task Force, led by Mark Forman, to develop an action plan. The group has identified 24 "high-payoff, government wide initiatives that integrate agency operations and IT investments..."¹ They address four citizen-centered groups: government to citizen (G2C), government to business (G2B), government to government (G2G), and internal efficiency and effectiveness (IEE).

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Getting to GREEN

The President's Management Agenda



Panel Session: Improving Asset Management

Debra Watson, Branch Chief for Policy and Process in the Resources Analysis Division at the National Aeronautics and Space Administration led the panel discussion on the significant changes facing Federal managers trying to improve their asset management.

Courtney Timberlake, Policy Analyst, Budget Review Division, Office of Management and Budget, highlighted how the President's Management Agenda (PMA) was conceived and the continued efforts to better manage government assets. The PMA encourages the development and implementation of principles for effective asset management. The Federal government owns over \$900 billion in assets, all of which serve a variety of functions. Assets allow government to stimulate small business development, provide opportunities to further education and serve as space for government to carry out operations.

Ms. Timberlake defined the types of assets government manages: physical and loan assets, the benefits of improved management of both physical and loan assets, and the challenges of doing so. Physical assets include excess and underutilized real property, land and buildings. GSA is a frequent physical asset manager for all Government agencies and oversees the disposal of physical assets under the Property Act. The e-Government Management Initiatives, among others, demonstrates how agencies are working to improve their asset disposal. These initiatives aim to effectively dispose assets to increase cost-effectiveness, create budgetary savings and reduce long-term operating costs. To do this, the sale of physical assets will have to overcome the challenges of outdated property information, a reluctance to part with underutilized property, a lack of incentives to release underutilized assets, develop physical asset performance measures to locate assets exceeding the purpose of the agency and juggle the interests of various stakeholders more easily.

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Panel Session: Improved Financial Performance

This panel moderated by Jeffrey Steinhoff, Managing Director, Financial Management and Assurance, General Accounting Office, focused on significant agency efforts to improve financial performance. The panel discussed erroneous payment detection at the Department of Education, accelerating the completion of financial statements at the Department of the Treasury, and transforming financial management within the Department of Defense (DoD). Mr. Steinhoff opened the session by describing the JFMIP Principals' effort to redefine success beyond a clean opinion. Success is now based on an agency's performance in getting the job done for the American public. The JFMIP Principals are taking financial management to the next level—out of the back room and into the boardroom. Accomplishing this will require a lot of hard work and dedicated leaders.

After 1,500 spreadsheets and a year, Mark Carney, Deputy Chief Financial Officer, Department of Education, understands where improper payments are occurring. He is working to improve the

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Panel Session: Strategic Management of Human Capital

As the panel leader, Christopher Mihm, Director, Strategic Issues, General Accounting Office (GAO), set the stage that led GAO to designate strategic human capital management as a government-wide high-risk area. GAO reviews had shown that the government reached this crisis as a result of budgetary cuts, downsizing, and outsourcing. GAO identified the lack of strategic planning, inadequate accountability for performance, skills and workload imbalances, outdated performance management systems, and reduced investments in people as contributing factors.

The past inattention to succession planning is one pervasive challenge facing agencies. Data on retirement eligibility rates illustrate the critical situation the government finds itself in. Overall, from fiscal years 1999 to 2005, 34 percent of all Federal government staff will be eligible to retire. Specifically from the leadership ranks, 71 percent of senior executives and 58 percent of GS 15's, will be eligible to retire. Because the absolute numbers are high at successive levels, the traditional staircase approach to succession planning—where the organization looks to the next in line—will not work. Agencies will have to take a holistic approach and review their entire pipeline to fill leadership positions.

According to Mr. Mihm, agencies will also have to re-examine their organizational climates in order to foster a greater results-orientation and improved alignment in their strategic performance planning reporting under the Government Performance and Results Act and human capital management. For example, a GAO survey conducted in 2000 found that government-wide, managers reported that only 53 percent of their top leadership demonstrated a commitment to results and only 31 percent received positive recognition for contributing to the achievement of their agencies' goals. Even more telling is that while 63 percent of managers reported they were held accountable for results, only 36 percent

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Mark Everson

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received a green (in financial management). The message of the President's Management Agenda is getting out and agencies are moving forward. Mr. Everson described the work being done on each of the five government-wide initiatives.

Financial Management

As to financial management information, Mr. Everson noted that most private sector organizations require real-time information to link revenues, costs, labor distribution and budgets, but that this data is largely unavailable in the Federal Government. Today, we produce financial information five or six months after the end of the fiscal year. "No one could call this timely." By improving the timeliness and accuracy of financial statements, we will go a long way toward giving the Federal Government the financial information that is critical to managing large organizations. He indicated that the Administration is accelerating the deadline for financial reporting so that by FY 2004, agencies will produce their statements by November 15. The government will produce the consolidated financial report on December 15, in time for the Administration and Congress to use the information to make budgetary decisions. In order to achieve this ambitious goal, improvements in financial systems are required and JFMIP will continue to play an important role in this process.

E-Government

Mr. Everson also described the Administration's ongoing effort to expand e-government, and recognized that this is one of the toughest

initiatives to execute because of its cross-agency focus. In order to make government more citizen-centric, there has to be a shift in strategy. The traditional method for tackling issues on an agency-by-agency basis has led to redundancy, increased costs, and a lower level of service to citizens. This initiative is looking at 24 activities across the government that should be reengineered. One example is payroll processing. In November 2001, JFMIP published a report, requested by OMB, examining whether the 14 different payroll processors could be consolidated in order to reduce investment and operational costs. This project is going forward and is sure to produce great benefits to the way the government pays its people, both in reduced cost and increased efficiency.

Budget and Performance

A focus on linking budget and performance is central to OMB Director Mitch Daniels' vision to have government more accountable, according to Mr. Everson. He described the President's Budget for 2003 as taking a different approach that depicts the full costs of programs and associated outcomes. The budget examines programs and ranks their effectiveness in order to realign resources to programs that work. This initiative will help the Administration reach its goal of providing greater transparency and accountability.

Competitive Sourcing

The President's Management Agenda, according to Mr. Everson, also examines the work Federal employees are performing

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Expanded Electronic Government

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G2C <ul style="list-style-type: none"> • Use the web for accessing services such as benefits, loans, recreational sites & educational material. • Key lines of business: social services, recreation & natural resources, grants/loans, taxes. 	G2B <ul style="list-style-type: none"> • Reduce burden on businesses by adopting processes that enable collecting data once for multiple uses & streamlining redundant data. • Key lines of business: regulation, economic development, trade, permits/licenses, grants/loans, and asset management.
G2G <ul style="list-style-type: none"> • Share & integrate federal, state & local data • Key lines of business: economic development, recreation & natural resources, public safety, law enforcement, disaster response management, grants/loans. 	IEE <ul style="list-style-type: none"> • Adopt commercial best practices in government operation (supply chain management, HR document workflow) • Key lines of business: supply chain management, HR, finance.

The panel speakers were: Michael Sade, Director, Acquisition Management, Department of Commerce, and John Moseley, Program Executive, Human Resources Data Network, Office of Personnel Management (OPM), who presented Internal Efficiency and Effectiveness (IEE) plans and progress. The vision is to make better use of modern technology to reduce costs and improve the quality of Federal government agency administration by using industry best practices in areas such as supply-chain management, financial management and knowledge management. The goal is to improve effectiveness and efficiency, eliminating delays in processing and improving employee satisfaction and retention.

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At JFMIP award ceremony, David Walker, GAO; Jim Petro, Ohio Auditor of State (award recipient); and Jim Pyers, Director of Finance, City of Wooster, Ohio

Stephen Perry

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When Mr. Perry joined GSA last summer, the management team began assessing their capacity for performance improvement. The assessment included fact-finding discussions with customers and stakeholders, as well as GSA associates. The conclusion was that GSA had not yet achieved its full potential for being a high performance organization. A strong consensus was developed throughout the organization that improving performance was imperative. GSA plays a critically important role in helping other federal agencies achieve their missions. As a result, high performance at GSA enables high performance in other agencies, and the reverse is also true.

Recognizing that GSA associates are dedicated to achieving the agency mission and are committed to becoming a high performing and continuously improving organization, a performance improvement initiative, known as "Creating a Successful Future at GSA" was launched. As a result of the fact-finding discussions, GSA associates rededicated themselves to the agency mission and the values they feel very strongly about, were confirmed. Those values are ethics and integrity in everything we do; respect for fellow associates; teamwork; results orientation; and professionalism.

The next step was to formalize the process. As a result, GSA determined that there were two parts of its strategic management process to focus first. One, clearly articulating GSA-wide performance goals and two, establishing a much more rigorous performance measurement process. The six GSA-wide performance goals are: 1) provide best value for customer agencies and taxpayers; 2) achieve responsible asset management; 3) operate efficiently and effectively; 4) ensure financial accountability; 5) maintain a world-class workforce and a world-class workplace; and, 6) carry out our social, environmental and other responsibilities as a government agency.

Regarding the Integrating Budget and Performance goal as stated in the President's Management Agenda, GSA has developed specific goals for their respective units that fit under each of the above six GSA-wide goal categories. In addition, each GSA unit has established action plans and performance measures for each unit goal. Each goal must have the following four characteristics: 1) important from a customer perspective; 2) challenging; 3) measurable, so GSA can track the progress and hold themselves accountable; and 4) widely communicated among those who have a role and responsibility to achieve them. The goals have been set based upon customers' needs. Our customers' needs are determined by making customer service visits at the national and regional levels to learn how GSA can support



At JFMIP award ceremony, Larry J. Eisenhart, Deputy Chief Financial Officer, U.S. Department of State (award recipient); onstage with family

the achievement of customer agencies' program goals. GSA is focusing on outcome results and accountability, not inputs, resulting in a more rigorous performance management process. The GSA units are tracking their performance regularly. In addition, the Executive Committee looks at summary results monthly, and on a quarterly basis, Mr. Perry is provided with a detailed review.

Strategic Management of each agency's human capital means determining if there is a gap between the skills, competencies and dedication of the workforce in place versus the workforce needed to achieve the goals. If a deficiency exists, a plan is developed to bridge the gap by targeted recruitment, development and retention strategies.

GSA is proud to have had a record of "clean audit" opinions for the past 14 years and to have been benchmarked as being "best in class." That said, GSA must continuously strive to make the accounting and financial systems more up-to-date, efficient and relevant for management decision-making. GSA's vision is to have a fully integrated, compliant financial management system that provides timely and accurate information in a usable format and also has the flexibility to respond to changes in legislation and regulations. GSA is currently in the process of replacing a 25-year-old legacy accounting system with an agency-wide financial management system.

In an effort to streamline the organization and reduce overhead costs, GSA announced the closure of six out of eight supply warehouses. The closures were a logical outcome of customers' increasing reliance on a vendor-to-customer, e-commerce system.

President Bush's Management Agenda reiterates his goal to champion citizen-centered electronic government that will result in a major improvement in how citizens and businesses can interact with their government. In early March, Vice President Cheney launched the redesign of the government's WEB portal – FIRSTGOV.GOV. The release of the President's E-Government Strategy was also announced and GSA is the managing partner for five of the 24 recommended initiatives.

Like all other federal agencies, GSA is striving to earn the coveted green marks in all performance categories. "Getting to green" may be, for many, a challenging journey. The Management Agenda provides a clear road map and based, on that, GSA has articulated six goals that have then translated into performance plans with quarterly reviews to assess progress. GSA is off to a good start and GSA will stay focused on achieving high performance outcomes and results. □

Panel Session: Improved Financial Performance

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underlying processes and systems to prevent them. Reducing improper payments is high on OMB's list, as it has been placed on the President's Management Agenda as key to improving financial performance. Mr. Carney, who is also the Chair, Erroneous Payments Committee of the CFO Council, defined erroneous payments and outlined the plan of attack to reduce their risks. Erroneous payments may include inadvertent payment errors and duplicate payments, payments for inadequately supported claims, payments for services not rendered or goods not received, payments to ineligible beneficiaries, and payments resulting from fraud or abuse. Mr. Carney also discussed problems with current processes that validate after the payment rather than before the payment is made. The Education Department's pilot that validates a Pell grant recipient's income beforehand based upon Internal Revenue Service records is an example of doing this right. A higher standard for mitigating

and managing payment risks is needed. OMB Circular A-11, dated July 2001, required estimated erroneous payment rates for FY 2001 and targeted goals for fiscal years 2002 and 2003 for programs administered directly by the Federal government, Federal contractors, and with States or other organizations. Agencies also need strategies to identify erroneous payments, monitor and track successes, and improve internal controls to prevent erroneous payments from occurring.

In May 1998, GAO did a full-blown fraud audit and ran \$187 million in transactions through software to detect patterns for erroneous payments. These transaction audits cover primarily credit card and third party drafts. Mr. Steinhoff added that an example of how the software works is to check birth dates of students, such as those 70 years or older, to detect possible errors. A very small percentage of fraud is actually detected using the software; however, the audit shows where violations may occur.

Donald Hammond, Treasury Fiscal Assistant Secretary, discussed the work the Department is doing to meet Secretary O'Neill's challenge to accelerate closing the books and preparing the financial

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David Walker

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becoming less hierarchical, process-oriented, stove-piped, and inwardly focused. They need to become flatter, more partnerial, more results-oriented, and externally focused organizations.

Improved financial management performance is one of five government-wide initiatives of the PMA. At the heart of this initiative is having the capacity to provide timely, accurate, and useful information on a routine basis to support important operating, budget, and policy decisions. The Comptroller General believes that improved financial management is also a key to successfully achieving the other government-wide initiatives set out in the President's management agenda, notably in human capital, competitive sourcing, expanded e-government and integrating budget and performance.

The administration's plan to use the Executive Branch Management Scorecard to highlight agencies' progress in achieving management and performance improvements is a promising first step. Not surprisingly, the initial scorecard showed a lot of scores in the "red". Results in the financial management area serve to dramatically illustrate the extent of work remaining across government to achieve the desired end state. According to the Comptroller General, "We're off to a good start but it will be a long march". The value of using the scorecards is not in the scoring, but in the degree to which scores lead to sustained focus and demonstrable improvements. The JFMIP continues to play a leadership role in order to help address these issues and stimulate financial management improvement government-wide.

JFMIP Principals have demonstrated a personal commitment to providing the leadership necessary to effectively address pressing government-wide financial management issues and to help transform the way the federal government does business. They have redefined what success is in the area of financial management performance and taken other steps to dramatically improve federal financial management. The JFMIP Principals have established an excellent working relationship, a bias for action, and a new sense of urgency through which significant, meaningful, and sustainable progress can be achieved. This is critical to the full and successful implementation of federal financial management reform and to provide greater

transparency in managing federal programs and assuring adequate accountability over financial resources and program results.

The Comptroller General also touched on the focus of GAO's recent efforts in response to audit issues and corporate governance, transparency, and accountability. The latest changes to the "Yellow Book" better protect and serve the public interest through maintaining a high degree of independence, quality, integrity, and reliability in connection with audits of government entities and selected entities receiving federal funds. The most significant change is related to the rules associated with nonaudit, or consulting, services. GAO is in the process of consolidating and drafting responses to a large number of questions on these issues. They expect to publish the results in May.

In response to a request from Congress to examine the systemic issues in connection with the recent sudden and largely unexpected bankruptcy of one of the nation's major corporations, Enron Corporation, and the financial difficulties being experienced by several other large corporations, GAO convened a forum on corporate governance, transparency, and accountability. There was general agreement from the participants, representing various interests, that there are no simple solutions. However, greater attention to these issues is necessary to help ensure that investors adequately understand related risks, financial performance is measured in an accurate and timely manner, and conflicts of interest are identified and properly dealt with. Given the importance of these issues, requests from a number of congressional clients, the nature of GAO's role as the nation's lead accountability organization, the Comptroller General's role as the federal government's chief accountability officer, and the need for a professional, objective and public interest perspective on these issues, GAO will soon make a number of recommendations for consideration by the Congress in connection with a range of auditing, oversight, accounting, governance, and other issues.

Finally, Comptroller General Walker commended everyone for his or her hard work and role in achieving financial management success. □

Expanded Electronic Government

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Mr. Sade discussed the Integrated Acquisition Environment Program that seeks to consolidate common functions through a shared services environment. Sharing processes and data will eliminate redundant systems and data collection. For example, one goal is to provide a single portal for a vendor to provide only one time standard vendor information for the numerous and redundant vendor record systems currently maintained throughout government. Another goal is to integrate the acquisition process with the financial management process. The goal is to link the purchase information to the financial system and eliminate entry repetition to record obligations, invoice data, payment approvals, and so forth. There are constraints to achieving this vision. A first hurdle is to identify and implement data standards. A primary objective is to develop a standard glossary and vocabulary to facilitate exchange of data between and within agencies.

John Moseley described the goals and objectives of the Human Resources Data Network. This initiative was realigned to better serve the President's Management Agenda. OPM has made progress by completing the requisite analysis and identification of data required for an electronic Official Personnel Folder (OPF) and human

resources (HR) data required for workforce planning and policy analysis for oversight agencies. They also completed initial development of a notional architecture, functional requirements, and software requirements.

Among OPM's goals are:

- Eliminate the need for a paper employee record and more than 100 multiple forms that are currently maintained for a minimum of 65 years after employee separation.
- Provide timely and accurate data for retirement claims processing.
- Develop standard HR data.
- Transform the manual data currently captured on paper forms into a readily accessible electronic medium.
- Streamline and improve Government-wide workforce reporting and data analyses.

The current government culture of using information technology to automate current processes is being steered in a new direction. Mark Forman's mantra is "simplify and unify: act as teams, not silos."

Endnotes

¹ *Implementing the President's Management Agenda for E-Government*, OMB, February 27, 2002 ☐

Paul O'Neill

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of the Treasury. Within his first year as Secretary of the Treasury, he deployed a real-time safety data system because this top executive strongly believes that a safe work environment is synonymous with valuing people in the organization.

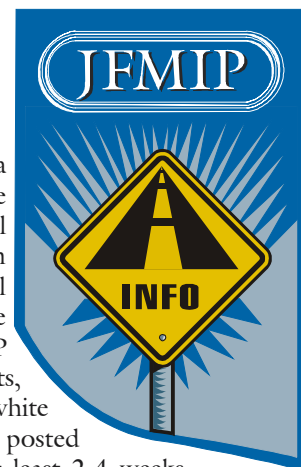
Upon his arrival at ALCOA, Mr. O'Neill discovered that the end of year closing process took approximately 12 days. He also discovered that about 75% of this time was devoted to doing "repairs" and other work that was not needed for consolidation. A goal was established to complete the annual close and consolidation in a shorter timeframe. This goal was achieved by involving the end users to design systems that capture information needed and that communicate with each other. A rapid closing process is also highly respectful of the people because unnecessary work – that is often frustrating – is eliminated.

One of the initiatives in the President's Management Agenda is focused on accelerating the annual close for the Federal government, which currently takes five months. Shortly after arriving at Treasury, the Secretary began the initiative to close the monthly financial records within three days by June 30, 2002. On average, the monthly close from the bureaus was taking 20 days. Treasury is also working on accelerating their fiscal 2002 year-end/annual close to meet or exceed the future OMB requirement for a FY 2004 November 15 close – 45 days versus 5 months.

Other key goals at the Department of the Treasury are the timely correction of audit findings and the identification of rules that hinder performance. Mr. O'Neill stated that the complexity of the tax code makes it difficult for people to comply with the law. For example, there are currently five different definitions of "child" for tax purposes.

In closing, Mr. O'Neill issued two challenges to the audience. Find a connection between who you are and the members of our society that we serve. Then find ways to make a contribution that gives meaning to your life. ☐

JFMIP Plans to Distribute Documents Electronically



JFMIP is planning to adopt a more efficient way to communicate our products to the financial management community. We plan to establish an electronic mail distribution list to notify those currently receiving JFMIP documents, including exposure drafts, final documents, newsletters, and white papers. Documents are currently posted on our website, www.jfmip.gov at least 2-4 weeks before the hard copy of documents are issued. With most of our products containing time-sensitive materials (defined comment periods, etc.), we believe that the exclusive use of electronic media will allow us to focus our efforts on getting the widest and timeliest dissemination of products and the broadest response base. We are planning to discontinue our routine mailings and will establish a target date in the next several months to accomplish the change.

JFMIP will be contacting those on our mailing list to find out what their e-mail address is, and what JFMIP products they are most interested in. If you have e-mail, please send your address to jamesg.dean@gsa.gov. If you do not have electronic access, please send your comments to us by fax at (202) 219-0549, or by mail to:

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Washington, DC 20006

Budget & Performance Integration

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align performance information, match outputs with costs, and array such information to show its influence on outcomes. The good news is that in the 2003 budget, performance ratings were used to make budget decisions. Resources were:

- a) allocated to programs that could document effectiveness,
- b) used to fund incentive programs and higher performance targets, and
- c) constrained for programs not rated effective.

As Ms. Rodriguez affirmed, since the budget drives decisions in this town, integrated displays of financial and performance information used to make decisions will create the demand for more performance information and accounting and will ultimately produce true financial management.

To ensure the continued integration of budget and performance information, Ms. Rodriguez said that sustained collaboration among planning, budget, and, especially, program staff is crucial. Year-round involvement of all affected parties will help ensure the continued formal integration of resource budgets to performance targets. The test of success will be how well an agency works together to evaluate program effectiveness and improvements, align program activities with outputs and link them to outcomes, and design and execute its performance budget. Finally, the agency must provide good documentation of program effectiveness through such vehicles as benefit-cost studies, benchmark studies against costs and outputs or outcomes of similar programs, logic models, and program performance results.

There are three steps to produce a performance budget:

- 1) Align program activities with outputs intended to influence outcomes, merging or altering budget accounts as necessary. This first step is the key to getting a green rating under the President's

Management Agenda. Program activities should match cost with results – not with inputs or processes. This action puts authority and funding for the full annual cost of programs in the hands of line managers and gives them flexibility in resource use. It also facilitates integration of budgetary, performance, and accounting information on standard systems for everyday management. It facilitates moving away from stovepipes where individual pieces of information filter up the chain depending on who asks for the information to a more integrated approach where the entire budgetary relationship is presented to all decision-makers to facilitate better-informed decisions and financial management.

In aligning program activities, Ms. Rodriguez said that it is crucial to match costs with outputs. Outputs include these characteristics: timeliness, quality, and responsiveness to customer needs. The costs of these characteristics and accompanying services should be in the same program activity. Moreover, program activities should be aligned with a manageable number of strategic goals and their influence on outcomes examined. It would be advisable that agencies consider structuring an integrated performance measurement around these goals and outcomes. Finally, barriers should be removed that hinder coordination amongst bureaus across programs. For example, when outputs from different bureaus contribute to the same agency outcome, a formal coordinating mechanism should be developed.

Ms. Rodriguez said that the second step to a performance budget is to charge accounts consistently with the full annual cost of the resources. She said that although all resources are financed in the budget, they are not consistently charged to the place where they are used. For example, some are financed centrally by an agency or Treasury, or cross-subsidized by other programs. However, to enact such changes would require legislation. There are two legislative proposals to provide for charging the annual cost of resources where they are used. The first, The Full Funding of Federal Retiree Costs Acts, Title II of Managerial Flexibility Act of 2001, would charge agencies for the employer share of much of the cost of Federal

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Competitive Sourcing

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Mr. Kalavritinos opened the discussion by dispelling some myths about competitive sourcing. He stated that competitive sourcing is a means to an end, but is not an end unto itself. Competitive sourcing is about improved performance and lower costs to the taxpayer. Unlike what we have heard recently in the press, it is not an outsourcing initiative with goals to move jobs to the private sector. It is not about artificial FTE cuts; it is about competition.

Mr. Kalavritinos' key message was that competition is what is important. He pointed out that DOD's experience with competitive sourcing has shown that the government wins 60 percent of these competitions. OMB would not be displeased if the government won 80 percent of these competitions.

The goals resulted from President Bush's campaign promise to subject half of all federal government commercial functions to cost competition. OMB established the 5 percent in 2002/10 percent in 2003 goals as targets for all agencies to shoot for. These are not artificial goals. These goals are based on agency FY2000 FAIR Act Inventories. They will not change with submittal of the FY2002 Inventory. Another myth is that the FAIR Act Inventory is simply a

paper exercise. The inventory may have been a paper exercise in the past because it was not being used. But OMB regards the FAIR Act Inventory as the basis for giving the administration and the public a full view of what an agency does in terms of what is contractible and what is not.

It is also a myth that OMB is focused solely on outsourcing. Mr. Kalavritinos stated that OMB has changed their outlook. To demonstrate to agencies that this is not the same OMB that they have dealt with in the past, OMB has had one-on-one meetings with the political and career leadership of every cabinet agency and several smaller agencies between August 2001 and January 2002. In these meetings OMB communicated the importance of the competitive sourcing goals, and heard from each agency to understand the special situations that possibly made them different, and whether the goals had to be modified to fit their unique situation. Two of these agencies wished to receive credit for the outsourcing they have already accomplished, and wanted to compete contracted work for possible refederalization. OMB would be willing to entertain such refederalization efforts if it was in the best interests of the taxpayer.

OMB manages the Competitive Sourcing Program through the scorecard concept and communicates scorecard ratings through the

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Budget Performance from opposite page

retirees. The second, The Budgetary Cost and Performance Integration Act of 2002, would provide appropriation and funding changes that would more specifically target the integration of budget with performance.

Ms. Rodriguez concluded by suggesting that getting to green this year will require improved collaboration, documented program effectiveness for 2004, and alignment of program activities with outputs that influence outcomes. For next year, she suggested preparing to implement the second legislative proposal and presenting a performance budget for 2005.

Paul Posner, Managing Director, Federal Budget and Intergovernmental Relations, General Accounting Office (GAO), expanded on many of Ms. Rodriguez's points. He said that when GPRA was passed, few believed that it would succeed. However, with increasing emphasis on knowing what the Federal Government gets for its dollar, there has been an evolutionary process where interest in performance measurement is now high. Liking the GPRA planning and reporting process to an educational process, he said that the results of that process serve as a framework to address key challenges for the Federal Government. Among these challenges are to: instill a results orientation, ensure that daily operations contribute to results, build the capacity to gather and use performance information, and, most importantly, understand the performance consequences of budget decisions.

Mr. Posner continued by saying that performance budgeting is not without its own set of challenges. Agencies must define expectations clearly – that is, what is success and failure. Pointing out that success or failure under GPRA would be determined by one's expectations, Mr. Posner talked about the benefits of several possible models for performance budgeting. A mechanical model with funding levels tied to performance might be prone to abuse without factoring in needs and equity. A managerial model with consensus on broadly defined goals might not clearly define the link

between resources and outcomes. An incentives model with rewards and punishment based on marginal programmatic changes could more realistically tie resources to performance. An agenda model based on changing the questions about the resource and performance equation might help change the decision-making process while not necessarily changing the decisions themselves. Mr. Posner concluded his point on rising to the challenge of effective performance budgeting by saying that agencies also should encourage users with varying needs to be involved in the process and results. Additionally, they should address structural alignment among plans, budgets, and total costs, develop credible outcomes, measures, and information, and, focus on crosscutting performance issues.

In speaking to the success of agencies in linking plans and budgets over the past four years, Mr. Posner said that of the 32 agencies reviewed, most were able to define a link between their performance plans and the program activities within their budgets. More importantly, nearly 75 percent of the agencies for fiscal year 2002, compared to 40 percent in fiscal year 1999, were able to directly link expected performance with requested program activity funding levels—the first step in defining the performance consequences of budget decisions. However, there was substantial variation in the manner and therefore, the resulting informative value, in which these linkages were achieved. Most agencies associated higher or more general levels of their performance plans (general goals and strategic objectives) with lower or more specific levels of their budget structures (program activities).

Continuing his discussion on whether performance budgeting is successful in an agency, Mr. Posner said that in addition to structural integration, there must be an improvement in the supply to and demand for the information. That is, on the supply side, agencies must work on developing logic models and agreement among third parties, achieving consensus on measures, developing reliable data

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Improving Asset Management

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Loan assets are delinquent loans, performing loans or current loans. OMB guidance requires the sale of debt more than 180 days delinquent. The process of selling delinquent loan assets is challenging and due to their nature they are hard to unload. Private investors often find loan features to be unattractive. There is difficulty in accessing upfront resources for portfolio analysis and there is a lack of incentives for agencies to sell.

Despite these obstacles, benefits from selling delinquent loans are numerous and can be exploited. The sale of loan assets generates budgetary savings, resulting in lower costs of direct loans and loan guarantees. Sale of loan assets can also increase the flexibility within an agency to align resources to the agency mission. Debt management is also labor intensive. By reducing debt, a work force has more time address their agency mission.

Dr. Lloyd Blanchard, Chief Operating Officer, Small Business Administration (SBA), believes the ideas and determination shared across government to improve asset management make government engagement a necessity. Sound asset management is critical for

extensive taxpayer exposure and can help agencies pursue their diverse missions. He views asset sales as a management tool. With improved asset management, an agency is able to identify servicing needs and redeploy staff to mission critical functions, motivate borrowers and servicing staff to prioritize and complete pending restructures and workouts, clean up books by processing write-offs and pending actions that surface when a loan is targeted for sale and reduce the debt owned and serviced by Federal agencies.

Asset sales can also result in negative subsidy receipts. Loan valuation resulting in a negative subsidy receipt occurs when the loan asset breaks even or makes a profit. Negative subsidies are caused by the perception held within the private sector that the collection of government loans can be done more efficiently and effectively in the private sector than by government agencies. Because of this perception, private sector companies are willing to buy loan assets from government. The Small Business Administration has successfully sold loan assets to the private sector and created negative subsidies.

Dr. Blanchard outlined key areas required to successfully manage assets. The use of professional contract support and benefits of technology will ease labor strain. Technology will provide the capability to have on-line due diligence and perform on-line auctions

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Budget & Performance Integration

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and evaluation studies, and producing more transparent cost data aligned with choices. On the demand side, agencies must ensure that goals and performance data are used to run their daily operations. Moreover, OMB must ensure that budget decisions and oversight of execution are informed by performance data. Finally, Congress must ensure that oversight, authorization and appropriation organizations use performance information in deliberations.

Mr. Posner concluded with a wry warning to be careful what one wished for since what gets attention in the budget will engage the hearts and minds of others. Looking into the future, he envisioned this attention might someday yield a call for a governmentwide performance plan. He reasoned that such a call would entail tremendous effort because most of what we care about in Government is defined by others. For example, we have major performance challenges to cut across agency and governmental boundaries and to integrate major outcomes defined by a variety of governmental tools and third parties. He said that the difficulty would come through the process of political debate to develop agreement.

Donna McLean, Assistant Secretary for the Office of Budget and Programs and Chief Financial Officer, Department of Transportation, concluded the program by giving an agency perspective on getting to green. She said agencies understand the concept. However, they want a path (guidance and procedures, if you will) to help them make the progression to green. Because the change is complex and will not happen overnight, agencies should be credited for making progress, even if they don't get to green as soon as expected. She suggested that after looking closely at the

criteria for getting to green, the Office of Management and Budget might provide a set of clarified criteria in the A-11 Budget Guidance to help agencies as they travel the path. She also suggested that OMB might work with the agencies to develop a pre-approved plan that would gradually and consistently move the agencies through the various stages from red, to yellow, and, finally, to green. In this manner, if an agency makes the progression from red to yellow, it would be given credit for making the changes necessary to move ahead in the process.

Ms. McLean talked of three basic approaches to making procedural changes necessary to get to green: a major restructuring of accounts, an adaptive restructuring of program activities, and some less extensive yet effective actions that would still get an agency to a higher level on its progression to green. She spoke of the variety of approaches used by some of the organizations throughout the Government. The Immigration and Naturalization Service took the major account restructuring approach while the Bureau of Land Management produced a crosswalk with its budget submission to help identify costs and performance. The Federal Aviation Administration and the Environmental Protection Agency reorganized within program activities to better align capital investments with GPRA goals. She concluded her remarks by suggesting that the goal of getting to green is to give managers the information on which to make better decisions. To ensure that they get this information, however, will require continued collaboration among budgeteers, accountants, and program managers. □

Improving Asset Management

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and bids. Another key component of improved asset management is to document the history and experiences of previous sales. Documentation to create a reference manual, updated by a Transaction Financial Advisor, of sale contractors can be made available on CD-ROM.

J. Martin Mills, Deputy Assistant Commissioner, Debt Management Services, Financial Management Service, Department of the Treasury, presented numeric illustrations regarding the issues surrounding asset management. While a large amount of assets (physical and loan) are managed efficiently, roughly \$56 billion is delinquent and is eligible for sale. The majority of government assets are valued as physical assets; \$289 billion of Government assets are loan assets - of which the U.S. Department of Agriculture and the Department of Education are the largest providers. Of the \$289 billion held in loan assets, \$39 billion is delinquent, and 24% of delinquent debts are over six years old. Simultaneous to private sector perceptions on government loan valuation, a number of approaches are being used within government to better manage debt and improve collection activities on loan assets, and they are

showing significant results. These measures include the quicker referral of remaining debt over 180 days delinquent to Treasury's Financial Management Service (FMS), and the review and clean-up to sell debt portfolios. Future incentives for agencies to analyze their loan portfolios and to continue adapting technology for more efficient sales of both performing and non-performing loans can also stimulate collection activity. Debt management is further enhanced by the use of credit reports and the FMS delinquent debtor database to determine credit worthiness in advance of loan provision. The write-off of uncollectable debt is another tool used to manage loan assets.

The implementation of tools to improve asset management and an appreciation of the benefits from it are showing results. The Department of Housing and Urban Development and the SBA have utilized these aforementioned tools to complete sizeable asset sales, and the Department of Justice has collected more than \$2.9 billion in cash recoveries. There has also been an increase in referrals to the Office of Financial Management Services and the Treasury Offset program (TOP) opening more debt portfolios for sale. □

Strategic Management of Human Capital

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reported they had the authority to take actions to accomplish those results.

GAO is trying to constructively engage with executive agencies to help them address their human capital challenges. GAO has released “A Model of Strategic Human Capital Management” (GAO-02-373SP) that is designed to help agency leaders effectively use their people, or human capital, and determine how well they integrate human capital considerations into daily decision-making and planning for the program results they seek to achieve. The model describes the cornerstones of strategic human capital management—Leadership; Strategic Human Capital Planning; Acquiring, Developing, and Retaining Talent; and Results-oriented Organizational Culture—and critical success factors for managing human capital strategically. The Comptroller General has accepted an offer to work with OPM and OMB to issue an integrated set of guidance on strategic human capital management. This partnership and collaboration provides a unique opportunity for Congress and the Executive Branch to provide a fully coordinated set of tools to address this government-wide crisis.

Sandra S. Payne, Director, Strategic Planning, Office of Personnel Management (OPM), observed that human capital, and in particular the right mix of employee knowledge, skills, and abilities, is a critical element in “getting to green” for all of the initiatives in the President’s Management Agenda. For example, increased competitive sourcing calls for managers to have the capacity to compare internal and external costs. Also, expanded electronic government calls for technical expertise as well as knowledge of tools to evaluate the delivery of services.

Even before the President’s Agenda was formally introduced, Federal agencies were starting to pay attention to their human capital as a resource to help achieve the performance goals articulated under the Government Performance and Results Act. GAO underscored the urgency to address human capital when it identified it as a government-wide high-risk area. In addition, OMB asked agencies to undertake workforce analyses to determine gaps in their human capital due to demographics and other factors, and OPM assisted agencies to prepare this information. Sadly, Sept. 11th was a clarion call that workforce plans need to be flexible to respond to new demands.

OPM is poised to assist agencies to “get to green” and meet their human capital requirements. First, OPM leadership has demonstrated a commitment to help agencies. Director Kay Coles James has met with top leadership of each Cabinet agency, and provided direct assistance through OPM “strike forces” to address specific human capital issues when requested. The Administration proposed the Managerial Flexibility Act to amend specific laws to allow agencies to tailor human capital strategies to meet their unique needs.

Also, OPM developed a human capital framework in collaboration with human resource directors from both the public and private sectors that identifies specific human capital strategies and actions, as well as governmentwide measures of success, so that agencies can better achieve their missions. In addition, understanding that HR responsibilities reside within agencies, OPM issued accountability standards for internal HR management to ensure merit

principles are followed and programs are operated efficiently and effectively. OPM will also undertake an annual survey, beginning in April 2002, to gauge how well employees and managers assess the state of human capital management in their agencies. OPM will benchmark the results for each agency and compare the results against the private sector.

Lastly, OPM desk officers have been assigned to agencies to serve as single contact points for their respective agencies and to partner with OMB examiners to ensure that agency human capital action plans will achieve the President’s Management Agenda goals, and are aligned with budget requests. Ms. Payne concluded by urging agencies to work with OPM and OMB early and often so that their human capital plans will get them to green and so that agencies are able to deliver the best services and results to citizens.

Angela Antonelli, Chief Financial Officer (CFO), Department of Housing and Urban Development, discussed how financial managers could most effectively address human capital challenges. She is the chair of the CFO Council Human Capital Committee. She noted that while information technology has brought benefits to financial management, some critical functions—oversight activities, evaluation of financial alternatives, management of day-to-day activities, and planning for the future—would probably always require a human interface. None can be full automated and will depend on human capital to get them done.

Financial managers must address severe human capital needs right now. Ms. Antonelli prescribed a “Back to Basics” approach—that is, to use the tools at hand now—rather than to wait for future solutions. For example, a Hart-Teeter poll found that the number one barrier to recruitment into the federal government was that potential applicants did not know that positions were available. This represents a failure of execution, not a failure of innovation. Often agencies find the best candidates are within their own organizations and are now starting to do as much as they can to streamline internal processes. Agencies can control such things as how rapidly they schedule interviews, make hiring decisions, and complete appropriate paperwork.

Agencies can also create their developmental assignments for new staff, such as assisting teams in preparing their agencies’ annual performance plans, detailed budget justifications, or annual audit reports. Ms. Antonelli noted that these developmental assignments also contribute to agency succession planning. This training helps keep the promotion ladder full. Agencies refresh their in-house applicant pool. This way, when critical positions become vacant, agencies have potential “acting” staff members who may later remove the “acting” from their title.

Ms. Antonelli stated that implementing successful human capital programs does not mean reinventing the wheel. Useful tools are currently available. Several years ago, the CFO Council’s Human Resources Committee teamed with JFMIP to develop an executive toolkit describing core competencies and training needed for financial occupations in government. Also, the USDA Graduate School and Treasury’s Financial Management Service offer training courses. In

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GAO Advisory Council on Government Auditing Standards

David M. Walker, Comptroller General of the United States and head of the U.S. General Accounting Office (GAO), has named 10 new members to the Advisory Council on Government Auditing Standards who will provide advice and guidance on government auditing standards. The purpose of the Advisory Council is to work with GAO to keep the auditing standards current through the issuance of revisions and guidance.

The Comptroller General first issued standards for government auditing in 1972; major revisions were made in 1981, 1988, and 1994. Two amendments to the 1994 revision were issued in 1999 impacting the auditor's responsibility for conducting and reporting on financial statement audits. Another amendment was issued in early 2002 that substantially changes the auditor independence requirements. Certain laws, regulations, and contracts require auditors to follow generally accepted government auditing standards promulgated by the Comptroller General of the United States. They are widely used in audits of federal, state, and local government programs, as well as in audits of entities receiving federal assistance.

To meet the demands for more responsive and cost-effective governments, policymakers and managers need reliable financial and performance information. The credibility that auditors add about that information, as well as the systems producing it, is a critical component of fiscal integrity and accountability. Generally accepted government auditing standards are a fundamental necessity to guide auditors and evaluators and allow others to rely on their work.

The 10 new members will replace those individuals whose term has expired. They will join the 12 members previously appointed to serve on the Council. Collectively, they provide strong knowledge of financial, compliance, and performance auditing and program evaluation at all levels of government. The new members, selected from nominations received from relevant professional organizations, will serve for a 3-year term, to provide continuity in membership.

For more information, contact Marcia B. Buchanan, (202) 512-9321 

The 10 new members of the Advisory Council on Government Auditing Standards are as follows:

Debra K Davenport, Auditor General, State of Arizona
 Dr. John Engstrom, Professor, Northern Illinois University
 The Honorable Richard L. Fair, State Auditor, State of New Jersey
 Dr. Ehsan Feroz, Professor, University of Minnesota
 The Honorable Gregory H. Friedman, Inspector General, U.S. Department of Energy
 Harold L. Monk, Jr., Managing Partner, Davis, Monk & Company, Gainesville, Florida
 Robert M. Reardon, Jr., Investment Officer, State Farm Insurance Companies
 Gerald A. Silva, City Auditor, City of San Jose
 Dr. Daniel L. Stufflebeam, Director, the Evaluation Center, Western Michigan University
 The Honorable Nikki L. Tinsley, Inspector General, U.S. Environmental Protection Agency

The 12 members previously appointed and who continue to serve on the Council are:

Chair: John R. Miller, Partner and Vice Chairman, KMPG LLP
 Ernest A. Almonte, Auditor General, State of Rhode Island
 The Honorable Ralph Campbell, Jr., State Auditor, State of North Carolina
 Bert T. Edwards, Executive Director, Office of Historical Trust Accounting, Department of the Interior
 Dr. Jesse W. Hughes, Professor Emeritus of Accounting
 Dr. Rhoda C. Icerman, Professor of Accounting, Florida State University
 The Honorable Auston G. Johnson, State Auditor, State of Utah
 Sam M. McCall, City Auditor, City of Tallahassee
 Stephen L. Morgan, City Auditor, City of Austin
 The Honorable Everett L. Mosley, Inspector General, U.S. Agency for International Development
 Barry R. Snyder, Inspector General, Federal Reserve Board
 Jacquelyn L. Williams-Bridgers, Private Consultant



Alicia Hilton

Developmental Assignments at JFMIP

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Alicia Hilton is an ELP participant on a 60-day assignment with JFMIP. She is an electrical engineer with Space and Naval Warfare (SPAWAR) Systems Center in Charleston, South Carolina. She received a BS in electrical engineering from Clemson University and began working for the government in May 1991. At SPAWAR, she is works in the Marine Corps Branch, where she performs Electronic Security System (integration of cameras, sensors, and access systems) design and implementation for various sites. At JFMIP, she is working on the Core financial qualification test process. The team is analyzing the qualification test, provided to vendors to test core financial system software against government requirements, for ease of use and the vendor's performance in relation to specific test questions.

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Department of Education's New Financial Management Certificate Program

The U.S. Department of Education (ED) is committed to offering skill building training in the area of financial management to department employees. Developing effective skills in the area of financial management is one competency area that was noted as crucial for the Department's staff by the Department's Management Improvement Team in their interim report. In order to meet the challenges of obtaining an unqualified audit opinion and eliminating material internal control weaknesses and reportable conditions that appear in audit reports on a recurring basis, the core competencies in financial management of ED staff need to be strengthened.

In the spring 2002, the Department developed and delivered an internal financial management certificate program utilizing contractor resources. It is difficult to recruit financial management staff with the substantive knowledge and qualifications necessary to address the financial accounting issues common to the current financial environment. Through completing the internal ED certificate program, 25 ED employees will learn financial management skills designed to provide participants with proven ways to meet the daily challenges of federal financial management. The 25 participants would be professionals for whom financial management is a primary responsibility. The certificate program will consist of 8 courses offered over a period of 9 – 12 months. The certificate program will be designed to cover key concepts of financial management in the areas of general accounting, federal accounting, and basic Federal government accounting/operations at the intermediate to advanced

levels. The program will be geared to an audience of Department employees at the GS-9 level and above with up to 4 years of experience in financial management (maximum of 25 participants per class).

A contractor will be providing the following tasks:

- Develop and deliver 8 financial management workshop modules (each module being 2 or more days in length) that will make up the certificate program.
- Develop a brief post program survey as an evaluation tool to assess changes in participants' skill and/or performance levels.
- The course content will support the core competencies established by the Joint Financial Management Improvement Program (JFMIP) for financial management.
- The modules developed will include the following key topic areas:
 - a) Federal financial management overview component – This module requires coordination with Education Department's Central Automated Processing Systems (EDCAPS) Training team to minimize duplication of effort and to ensure understanding of the fundamentals of EDCAPS. Also, review of legislative and statutory mandates in the CFO Act, GPRA, GMRA, OMB Circular 123, FMFIA, FFMIA, Federal financial/accounting standards, principles and concepts, functions of ED financial systems and ED accounting policies and procedures.
 - b) Financial data analysis – Fundamentals of data analysis and the preparation of accurate reports and financial statements.
 - c) Reconciliation – This module should focus on the process of reconciling the Department's account balances with

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Human Capital – How to Get to Green

As the leader of the President's Strategic Human Capital Management initiative, the Office of Personnel Management (OPM) is focusing on providing agencies with the tools and assistance they need to get to green. OPM Director Kay Coles James recently appointed Marta Perez to direct this initiative government-wide. Ms. Perez leads a team of OPM staff who will be "desk officers" assigned to help each agency. This team is the focal point for advising and assessing agencies on their progress on the Executive Branch Scorecard. The team members and the agencies they work with are:

Lin Cord	Corps of Engineers, EPA, SSA
Katina Cotton	Education, Labor, SBA
Peggy Higgins	Energy, FEMA, HUD, Transportation
Ginger Kincade	DoD, VA, NSF, Smithsonian
Mary Ann Maloney	USDA, Justice, NASA
Gail Redd	AID, HHS, State
Tom Smith	Commerce, SEC, Treasury
Jacqui Yeatman	GSA, Interior, NRC

Director James issued a Human Capital Scorecard last December to provide specific goals and measures for agencies to implement as one key step to achieve the human capital initiative. The scorecard is available at www.opm.gov/HumanCapital/scorecard.htm. The Human Capital team members are available to help agencies find and use all of the resources available to help agencies get to green.

OPM Successfully Implements Financial Management System

Continued from page 4

performance with the previous successful implementation of AMS Federal Financial System, also under Mr. Duckett's direction. The key federal staff who made significant contributions to the success of the project are Harriett Horvitz, Esther Cueto, Steve Burkett, Dorran Thompson, Bruce Clark, and Jim Loiselle; on the contractor staff key staff are Amy King, Kerry Canfield, Bill Milano, Gopal Venbar and James Parise. The Federal staff worked full time on the project. They had a proven system implementation track record inside the agency and the demonstrated ability to work well together in a pressure cooker environment of system implementation. Another big help was putting together a users group to get users and customers involved in the process early and to gain support for the new system. The Users Group was comprised of a representative from every office that receives services from the CFO organization. Finally, an IG representative attended every meeting and was engaged throughout the process, from requirements identification to going live. While the IG representative was independent, their advice on internal controls was essential in avoiding pitfalls that would be expensive to rework at a later date.

Lessons Learned

- **Changing business practices, not software.** From the outset, OPM adopted the business strategy of implementing the baseline software as offered from the vendor and qualified by JFMIP. This would require changing the business practices where needed to avoid customizing the software. The JFMIP test and qualification process were accepted as bona-fide evidence that the software met mandatory core financial system functions. Given the software was qualified as meeting federal standards, the goal was set to adopt the business practices required by the software.

Managing change and the process implementation

Managing change was critical to the transition. One fact that made the organization ready to change was that the legacy system was not "beloved." Users were ready for a more customer friendly tool. The fact that the integrated project team was very "customer-dedicated" and everyone worked together paved the way for change. But conflict was to be expected, so during the orientation phase of the project, a "process implementation plan" was put in place specifically to manage and facilitate change. That plan included the following elements (1) rapid conflict resolution, (2) customer engagement and training, and (3) effective help desk to provide continuous support. The project director indicated that providing adequate help desk resources to answer user questions was critical to acceptance of the new accounting and payroll processes. An available and accessible help desk ensures immediate attention is given to problems before they get out of hand.

Planning and conducting the data conversion

OPM recommends that agencies be careful not to underestimate the time and effort required to conduct a successful data conversion. The greatest difficulty in the project was accomplishing the data conversion from the legacy to the new system. The key lessons are: (1) convert the minimum data necessary, (2) make sure data converted to the new system is correct, and (3) do not underestimate

the resources, time, and difficulty of achieving the first two goals. OPM's cutover date was October 2001. Only summary data was converted for transactions before FY 2001. Detailed data was converted for open transactions for FY 2000. In order to ensure that the data was clean, OPM engaged a third party vendor to create a data conversion program which pulled all data into an extract file, validated the data in accordance with edits, and then mapped the data from the extract file to the new system. Any transaction that failed edits was put into a suspense file and a dedicated staff worked the backlog to ensure that only good data populated the new system.

Meeting milestones on time

Project implementation requires many parts to come together in the right order. A defined critical path and milestone map is essential to track progress and to force decisions and actions necessary for success. While the project team worked enthusiastically and aggressively, meeting project milestones was a constant area of focus, due to the sheer difficulty of completing so much work in a short period. Having the right people dedicated to the project was essential for OPM. But having an engaged project director capable of diffusing conflict and removing the inevitable barriers was key to keeping the project on time.

Mitigating risk by involving the IG

Having the Inspector General included in reviewing decisions from the start, was very valuable in mitigating potential risks. This involvement saved significant dollars and time by catching things in the early stages that could have been very costly later.

Conducting Independent Verification and Validation

Independent Verification & Validation (IV&V) is another important component of success. Under the Chief Information Officer's oversight an independent contractor is performing IV&V of Phase 1 and of what's needed to take the system to Phase 2, including ensuring the project plan is sufficient to meet security, performance and capacity requirements.

All and all, the OPM experience was challenging, but rewarding to those who participated. When asked specifically about what words of wisdom he would give to other agencies implementing a new system, Mr. Duckett gave the following:

1. Obtain management support early in the process and maintain it throughout.
2. Obtain employee "buy-in."
3. Have a well laid out plan and an implementation process, including change management.
4. Have a good team composition.
5. Build a good partnership relationship with the vendor.
6. Get involved with the software users group, in this case, the Momentum Users Group, to hear first-hand lessons learned because each agency implementation scheme is different.
7. Keep people in the loop.
8. Do not customize the software.

For more information about OPM implementation, please contact Maurice Duckett, at (202) 606-8089 or fax (202) 606-2277. □

Bill Early Honored by JFMIP

William (Bill) B. Early, Jr., Chief Financial Officer (CFO) at the U.S. General Services Administration, was recognized for his distinguished leadership in Federal financial management and support of JFMIP at his last Steering Committee meeting on April 1, 2002. Bill served as the agency representative on the JFMIP Steering Committee for the past three years.

As the CFO, he directed GSA financial and budgetary policy, operations and liaison activities with Congress, the Office of Management and Budget, and other Federal agencies. He had agency-wide responsibility for the executive information system, directed the Agency's Strategic and Performance planning processes and implemented the Government Performance and Results Act. Prior to becoming CFO, he served as GSA Deputy CFO since 1998, and he was GSA Budget Director since 1979.

Bill Early retired on April 3, 2002 after 34 years of Federal service. We congratulate Bill on his achievements throughout his career. We hope that he enjoys his new venture in life and wish him the best.



Pictured from left to right are: Doris Chew, JFMIP; Bob Reid, Treasury; Janet Krell, GAO; Karen Alderman, JFMIP; Jeff Steinhoff, GAO; Bill Early, GSA; Jerry Williams, OMB; and Mo Duckett, OPM.

A Joint Perspective

Continued from Page 2

transaction processing, move to more integrated and shared services as the result of e-government efforts, and focus on decision support, the likely needs will be for a smaller but more analytic work force. How to transition from the current work force to a new set of competencies is the \$64,000 (or more likely \$6.4 billion) question.

Achieving financial management improvement goals is a formidable challenge. Success means that an agency head reports financial management systems that meet Federal financial management systems requirements and applicable Federal accounting and transactions standards; the agency has an unqualified and timely audit opinion on the annual financial statement; no material internal control weaknesses or noncompliance with laws are reported by the auditors; the agency has accurate and timely information; and integrated financial and performance management systems support day-to-day operations. Today only one small agency meets the criteria. The 2001 *Financial Report of the United*

States, issued on March 29, 2002 underscores that while agencies continue to make progress in achieving clean opinions on audited financial statements, only 3 of the 24 CFO agencies are free of material control weaknesses, complied with applicable laws and regulations, and were in substantial compliance with the requirements of the Federal Financial Management Improvement Act. The governmentwide report was unable to get better than a disclaimer due to long standing deficiencies in financial systems, fundamental record keeping and reporting, and incomplete documentation.

There is an unprecedented management focus on making progress. Reporting deadlines are being accelerated as a strategy to force change. There will no longer be time to do repair work. In this environment, financial management is being reengineered to do it right the first time. The JFMIP Principals are directly engaged in setting expectations, identifying the problems, and removing impediments. Making the grade requires major improvements in business processes and underlying systems and the people must be up to the challenge now and in the future. □

Joe Friedl

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to keep the employees informed of the latest developments and cutting edge technology, provides increased employee value, and increases confidence on the job.

He stated that just as senior executives, teachers and pharmacists, who have to be re-certified periodically, financial managers should also be re-certified. There should be incentives for financial managers to expand their skills set. Furthermore, in this era of globalization, certifications are universally accepted as a standard of achievement and competence. Individual development plans assessing the employees' skills and their strengths and weaknesses should be prepared. Supervisors should discuss the plans with the employees to establish a map for development in the areas that need improvement. The supervisors should give the employees work experiences to take advantage of and stretch the employees' strengths.

Although some agencies have been adversely impacted by downsizing in the financial management area, Mr. Friedl views downsizing of government to be a myth. He asks whether the government is downsizing, up sizing, or same-sizing given the funding levels in the Federal budget. If downsizing is measured in terms of human capital, there may be fewer people employed directly by the government. However, when inherently government work is contracted out, Uncle Sam still pays for those services. Therefore, if the goal is to reduce both human capital and funds outlay, the public sector was not downsized. If, however, the functions that are shifted from the public sector to the private sector are not inherently government functions, and the government no longer pays for them, then the government will be truly downsized.

In support of his opinion, he cites a seminal book by Paul C. Light, from the Brookings Institute, entitled *The True Size of Government*. The book indicates that the actual size of government is much larger than the advertised size when "shadow jobs," such as contracts, congressionally mandated programs, and grants are

added to the total federal workforce. He notes that the Washington Post has previously concluded that the loss of two federal jobs creates three in the private sector to perform the same work.

The most critical human resource issues facing federal agencies today, as viewed by Mr. Friedl, are the aging workforce, the failure to recruit young people, and the ambivalence of society toward public service. He pointed out that since the tragic events of September 11, 2001 there has been a more positive outlook by the public towards government service.

Systems

Regarding financial management software systems, he favors in-house development over commercial off-the-shelf (COTS) products. He points out that his organization has built its own systems. These include the WHS Allotment Accounting System, the initial Single Defense Agency Accounting System, and an executive decision cost accounting system. The WAAS is used by 13 defense organizations in 11 states and Germany for installation level accounting. WAAS users can access their official accounting data securely over the Internet using password protocols.

Currently, there is a moratorium on purchasing commercial-off-the-shelf financial systems because there is not a "one size fits all" model. Organizations have to hire contractors to hybridize COTS products to meet their own unique functional requirements at considerable cost in time and funds. This requires detailed systems requirements definition from the user, dependence on outsiders for systems maintenance and changes, and further tethers them to the contractor.

Importantly, Mr. Friedl says that the accounting classification data elements should be standardized. The budgeting classification system is set by the OMB, but agencies are allowed to freelance and create their own accounting fiscal coding structures. This leads to reporting mismatches between accounting systems, data entry errors at fiscal stations, and a

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Developmental Assignments - Continued from Page 20

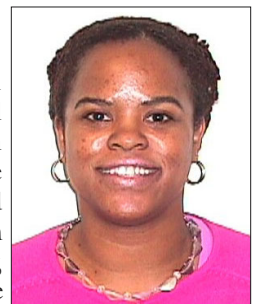


Ann Roseman

Ann Roseman is a senior Business and Financial Manager at the Naval Air Weapons Center, China Lake, California. She has spent 14 years in the federal financial arena and currently is involved in the weapons integration onto the Air Force F-22 platform. As a member of the Executive Leadership Program Ann began a 6-week assignment in the JFMIP organization on February 4, 2002. She stated that coming to the Nation's capital was a tremendous opportunity. While at JFMIP, she was able to perform analysis and research for two independent areas of study - Budget/Performance Integration and Federal Financial Work Force Trends. Both of these projects brought her into contact with the Chief Financial Officer community taking a long hard look at how the business of financial and human resources will be shaped in the future. Additionally she was exposed to the JFMIP commercial off-the-shelf (COTS) financial management systems test philosophy. A California resident, Ann was delighted to see the spring come to Washington D.C. so unlike the Mojave Desert where she makes her home. Her next assignment will bring her back to Virginia in May where she will have a 60-day assignment with the National Park Service and the Jamestown 2007 Project.

Sheila D. Brooks is a budget analyst with the Air National Guard Headquarters Financial Management office, located in Arlington, Virginia. Her current primary duties include the analysis, formulation, submission and defense of the Air National Guard's annual Military Personnel appropriation. Her career background includes positions as an accounting technician, an operating accountant, a systems accountant and a budget analyst (execution and formulation). She joins the JFMIP for the month of April 2002 to complete a 30-day developmental assignment as an ELP participant. Sheila stated, "I am very excited about this opportunity to observe and get involved with financial management issues in a new environment and on a much broader scale. I look forward to gaining invaluable insight and experience in financial management policy and, hopefully, establishing new mentor relationships and business contacts." During her 30-day developmental assignment, she will be working on various assignments dealing with managing the Federal financial management human capital challenge, including gathering and analyzing demographic data and trends of the federal financial management workforce.

Continued opposite



Sheila D. Brooks

Continued from previous page

proliferation of different accounting software products. Ergo, if the input data is not good, then the output data will not be good. He feels heavier emphasis should be placed on standardizing the data framework, to the extent possible. As a minimum, an emulator that would convert the output of the different systems to a set standard would yield a high payoff.

He remarked that computers, if nothing else, are brutally honest and fiercely loyal servants. They will do only what they are told and do it the same way every time. If they have program bugs, they will produce erroneous output. However, computer bugs manifest themselves quickly and are easily discovered and corrected. It is primarily the erroneous data, compiled from millions of individual accounting transactions, that results in misleading reports. For example, a data entry that has only one transcription error can produce two sets of erroneous reports if that typo is the year code. Or, if every task in a contract is charged to the first contract line item, multiple unmatched disbursements will be created. Compound these data entry mistakes over many years and appropriations involving millions of transactions and it is no wonder that the books are off.

Budgeting

From his perspective, Defense has the most rigorous and complex budgeting process in the Federal government. The well-established Planning, Programming, and Budgeting System has served the Department well for a long period of time. It features the continual internal program reviews, the future years planning structure, and the coordinated program/budget decision-making process.

The complexity lies in the hundreds of separate appropriations that must be programmed, budgeted, and accounted for, each carrying their own sets of policies and rules. DoD is very disciplined and has the most intensive oversight committees. To keep pace, Defense now has a major financial management modernization project in progress that will be built around

enterprise architecture. In his opinion, however, the system is not the real problem; it is the corrupted accounting data.

Accounting

He believes that the Federal government can most effectively implement Federal Accounting Standards Advisory Board standards by establishing policies and enforcing compliance with those policies. Enforcement is currently sorely lacking. This problem is also present in the commercial sector. The American Institute for Certified Public Accountants, the enforcement agent for public accounting standards, has offered to abdicate this responsibility to the Securities and Exchange Commission in the wake of the Enron scandal.

His views on the implementation of managerial cost accounting is that an "instrument panel", or an early warning system is needed to draw attention to problematic budget execution. The JFMIP has previously used his automated "drill down" management analysis system as an example for Federal Executive Boards around the country. The benefit this tool has for the financial community is to help with forecasting trends and performing analyses to prevent potential trouble and correct existing problems. It allows management to peer into the depths of the transaction data, and pinpoint where the problems really lie.

Financial Statements

He believes the Federal audited financial statements are not very useful because they are untimely and focus too much on the past. They act as a shaky "rear view mirror" at best. Information that is 5 months old when first released is better labeled as misinformation. The feeder systems and other data are sometimes unreliable, erroneous, or missing altogether.

Having internal controls in place to ensure that the financial position presented can be trusted, and having data capture and entry systems produce good numbers is critical. In addition, program managers are looking for non-financial information

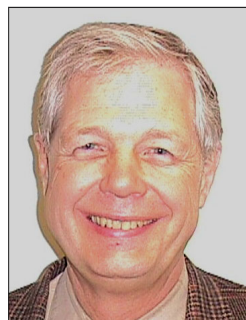
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Celia Dianne Barnes is a management analyst with the Headquarter, United States Army Corps of Engineers within the Directorate of Corporate Information for the Information Resources Management Branch. In 1980, she began her career with the Corps of Engineers. For the past 13 years, she has held the records manager position for the Corps-wide Records Management Program. She works closely with other Department of Defense offices, HQ Directorates, Regional and Corps-wide Field Offices. She ensures that the Records Management Program issues receive the proper corrective actions and she manages the program for consistency throughout Corps-wide offices. She has a Bachelor of Science degree in Human Ecology from the University of the District of Columbia. She received an honorary Summa cum Laude in recognition of Fashion Designs, and received two Graduate Certificates in Information Technology for Records and Information Management at the University of Maryland, and for the Information Resource Management (IRM) Program at Catholic University. During her 30-day developmental assignment at the JFMIP, she will assist in the improvement of the governmentwide business processes and the investment of the human capital issues through educational events, meetings, and forums. Her objectives are to gain experience in the financial management field and to gain an understanding on how the central financial agencies work with the Federal government.



Celia Dianne Barnes



Elvon C. Lloyd

Elvon C. Lloyd is on a 1-year detail from the Defense Logistics Agency at Ft. Belvoir, Virginia. He will be working on a variety of assignments including the update of the *Inventory Systems Requirements*, developing a white paper on "Financial System Conversion Considerations" and coordinating the roll out of the electronic version of the *JFMIP Federal Financial Managers Directory*. Elvon is a financial system analyst and is a Certified Public Accountant and Certified Government Financial Manager. Before coming to JFMIP, he worked on implementation of the Defense Property Accountability System (DPAS) at Army, Navy, and defense agencies. He has worked on the JFMIP task force determining property system requirements representing both DPAS and the Department of Defense. He has worked in various positions in the Office of the Under Secretary of Defense (Comptroller). □

Top Honors Go To Eisenhart and Petro

Continued from page 1

transformed across the Department. Mr. Eisenhart has been a beacon of light in the federal financial management community during his 30 years of public service, during which he held senior financial management positions at four major entities—General Services Administration (GSA), Office of Personnel Management, Department of Health and Human Services (HHS) and now at the State Department. He has been able to get results, such as:

Achieved quality financial services and reduced costs by consolidating GSA's 10 regional finance offices

- Directed the consolidation of GSA's financial systems
- At HHS, improved debt collection efforts by over \$1 billion annual resulting in interest saving of millions of dollars
- At State, established the Bureau of Financial Management and Policy
- Reformed State's financial management system that had serious weaknesses
- Improved State's purchasing transactions, travel management, and payroll operations
- Pioneered the development and issuance of audited financial statements starting at GSA in 1985, and with continued success at State Department
- Provided invaluable vision in establishing State's integrated cooperative administrative support services.

Jim Petro was elected as Auditor of State in Ohio in 1995 with a mandate to be an agent of change. He inherited an office in disarray and faced a number of very difficult problems. Mr. Petro had a vision for reform and delivered on his pledge to the citizens of Ohio to restore professionalism, excellence, and integrity to the State auditing office. Some of the major results of his accomplishments are:

- Number of Certified Public Accountants increased by 50% to 150
- The latest peer review was completely clean
- The average audit time was cut almost in half from 13 months to 6.7 months
- The report backlog was reduced by 98% from 2500 to 52
- A performance audit department was established, resulting in over \$400 million of recommended savings
- School districts in Cleveland, Youngstown and Dayton used the results of audits to resolve fiscal crisis
- Medicaid audits and special audits identified \$165 million of improper payments
- More governments in Ohio implemented GASB 34 than the rest of the States combined
- For the past 3 years, Ohio has led the Nation in filing CAFR reports ☐

Joe Friedl

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from within the financial systems. Financial managers need reliable information from an early warning system to draw attention to problems and point out errors. Audited financial statements do not deliver on all these requirements.

By definition, there is no profit motive in government financial accounting. Federal appropriations are finite, for specific purposes, and a matter of public record. However, there is always a savings motive for the benefit of the taxpayer (our stockholders). There is also a "fear factor" for a manager that recognizes the many legal restrictions with corresponding penalties placed on federal funds. Independent auditors, inspectors, and oversight teams are constantly looking for instances of waste, fraud, and abuse.

Significantly, there is the issue of public trust- *our most important product*. Checks and balances are required for successful government. However, they carry some costs and pose impediments to efficient systems. There are some necessary redundancies and inefficiencies built into the system. Government agencies have to account for the money they receive from Congress and the funds they expend on congressionally approved programs. Having strong internal controls in place to ensure that the financial condition is accurate is essential.

On the other hand, he believes that having to prepare government financial statements has changed the culture in a positive way. There is no longer an unwritten budget execution policy for program managers to spend the money now and worry about the accounting

later. The "M" or merged account, which was a "black hole" used for unreconciled amounts and to bury accounting problems, is no longer in existence. Problematic expired activities and programs now have to be financed from current appropriations.

The barriers or obstacles impeding DoD's attaining a clean opinion on its financial statements are its massive size, different entry and feeder systems, legal restrictions on spending, and employee turnover. DoD is a massive organization consisting of four branches of service, the Navy, Army, Marine Corps, and Air Force, and many Defense Agencies. Each component uses different fiscal coding structures, data entry methods, accounting software, and computer systems. Money is allocated through sub-accounts in a multitude of funds flow systems or distributed with interdepartmental purchase requests. As such, inefficiencies are built into the system because there is no single integrated defense financial system. For the system to be most effective, all of the financial managers need to have the capability to obtain the status of the programs or activities and funds at any given point in time throughout the entire chain.

The legal restrictions on spending are also a barrier because money that is earmarked for a particular activity in a given year must be spent in accordance with the strict rules and regulations. Another problem is the high turnover rate of low-salaried technicians who input the data into the financial systems. The Secretary of Defense is personally committed to resolving the DoD's financial management problems. A major financial management reform effort is underway by the Comptroller to address these concerns.

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Strategic Management of Human Capital

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conclusion, management of human capital is critical to financial management. Simply, agencies cannot successfully manage their money unless they lead people. Agencies need to stick to basic principles and act now with tools that are at hand.

Myra Howes Shiplett, Director, Human Resources, National Academy for Public Administration (NAPA), observed that every agency must consider the magnitude of human capital investments and make decisions to maximize those investments. Specifically, each federal employee represents a multi-million dollar investment, in terms of salary, benefits, assignments and training. When we consider the consequences of the good or bad decisions each employee makes, the cost is potentially even higher. In this context, what does it take for agencies to effectively recruit and retain human capital? Private sector Gallup survey data show that 70 percent of employees who leave their organization do so because of their supervisors. In addition, employee groups with a positive attitude are 44 percent more likely to produce above average results.

Working with the Chief Information Officers (CIO) Council, NAPA research on information technology workers had similar findings. For example, earning compensation that is within a competitive range is a more important factor than making "top dollar." A compensation package can include recruitment, retention, or "hot skills" bonuses; salary; overtime or special pay policies; and/or retirement or pension plans. Research also indicates that, once

compensation is within a competitive range, other "non-pay" factors impact the ability to compete for and retain talent. These factors are good management and work environment, challenging assignments, flexible work arrangements, and training and development.

Agencies that are recruiting recent college graduates should be aware that this generation is comfortable with tradition and technology, is optimistic about the future, admires elders and embraces values, and wants to shine at work. This generation uses the Internet as the tool of choice for their job searches. They are likely to consult their parents about career opportunities, so parental interest and involvement will reach into the workplace. Recruiters may find themselves in discussion with parents! At the same time, most of this generation's students expect to stay with their first employer less than 3 years. In fact, 22 percent leave within 5 years.

With these trends in mind, what should agency leadership focus on when they recruit and retain human capital? Ms. Shiplett offered several ways to reform government employment. First and most importantly, make working for the government special again. The events of Sept. 11th have made the people regard public service more favorably. Restructure agency leadership so that the succession gaps can be filled-some agencies are facing a 40 to 50 percent loss at their top ranks. Fix the hiring process to bring people aboard as quickly as possible. Lastly, bring pay to competitive levels. □

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For the Federal government to get a clean opinion on the consolidated government-wide financial statements is no small task. Financial systems are not integrated, there are inadequate reconciliation procedures, and the reporting is inaccurate and untimely. First, measures need to be taken to improve these conditions within each agency. Then, a government-wide clean opinion on its consolidated financial statements may be accomplished by having a standard accounting system and a flow of funds that is integrated in a corporate database warehouse.

Future Concerns

Mr. Friedl believes DoD's major challenges in the area of improved financial performance (as articulated in the President's Management Agenda) are that bigger budgets mean more transactions and work for financial managers. Paperless transactions are increasing and more data is being transmitted electronically. The agencies now routinely use purchase cards for micro purchases. However, with less paper there is difficulty in tracking the audit trail. There is the shifting of government work to other points, resulting in the agencies losing visibility with stakeholders. For example, the DoD sends one payment for a bill containing many transactions to a central location. The payment center then makes payments on behalf of the agency. But, detailed information at the transaction level gets lost in the process. This opens the door for waste, fraud, and abuse.

There are major challenges facing defense managers now that didn't exist a year ago as a result of the attack at the Pentagon. These include counseling for employees suffering from post traumatic stress syndrome, heightened security measures, computer hackers, new programs and agencies set up to address security and homeland defense, and new sources of funds for financing these activities. Major challenges facing financial managers in the next five to ten years will be the transformation of the military and associated funding, recruiting, public confidence, ethical behavior, conflict of interest issues, defining inherently government work, determining what work can be outsourced, privatization, and the effects of changes in corporate tax law and accounting standards.

Mr. Friedl's major goals for this year are to help establish a data warehouse that will enable financial managers to access the status of any transaction at any point in time; more visibility and advocacy for Defense-wide services support; use the defense emergency response fund to rebuild the Pentagon, implementation of an accounting system that is fully compliant with property accounting standards, and efforts to consolidate the financial reporting systems into a single centralized database. He is very pleased that in December 2001, President Bush signed the National Defense Authorization Act, which includes a provision to permit government agencies to appropriate funds to pay for expenses for employees to obtain professional credentials, including expenses for professional certification. He hopes that with this relief, all of the supervisors in his office will be certified this year. □



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information on fiduciary funds and suggested characteristics that might help differentiate the funds, such as investment characteristics and the relationship between the source of receipts and their use. For more information, contact Andrea Palmer, 202-512-7360, palmera@fasab.gov.

Stewardship Responsibilities

On February 19, FASAB released for comment proposed Statement of Federal Financial Accounting Standards, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*. Information on stewardship responsibilities is currently designated Required Supplementary Stewardship Information (RSSI), a category unique to federal financial reporting. Stewardship responsibilities include:

- risk assumed information required by SFFAS 5, *Accounting for Liabilities of the Federal Government*,
- the current services assessment (CSA) required by SFFAS 8, *Supplementary Stewardship Reporting*, and
- social insurance information required by SFFAS 17, *Accounting for Social Insurance*.

The exposure draft proposes that risk assumed information and the CSA be reclassified as required supplementary information (RSI). Because it is deemed essential to fair presentation, Social Insurance information would be reclassified as an integral part of the basic financial statements. The exposure draft also proposes that the requirement to report the CSA be eliminated after FY 2003, because improved timeliness in issuing audited financial statements should mean that these statements will be available before the President's Budget is published. The President's Budget is the source of the CSA.

Comments Sought on Technical Bulletin

The FASAB has authorized its staff to prepare FASAB Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems. Currently, the FASAB staff is seeking comments on proposed Technical Bulletin, *Assigning Costs and Liabilities to Agencies that Result from Legal Claims Against the Federal Government*.

This proposed technical bulletin is intended to clarify the required reporting of costs and liabilities resulting from legal claims against the federal government. The exposure draft on this bulletin proposes that all liabilities and costs related to legal claims and judgments must be attributed to the component entities responsible for the programs or activities that contributed to the claims or to their successor component entities. This attribution follows the general principle that all transactions or events reported on the consolidated statements should be attributed to some federal component entity. FASAB is requesting comments in electronic form to be sent to , or by fax to (202) 512-7366.

Transitioning to Limited Mailings of Printed Documents

FASAB has been faced with increased delays in printing and traditional mail delivery. With an increased public access to electronic means, FASAB believes that routinely mailing printed copies of our products, specifically exposure drafts and newsletters, is no longer an efficient option. Since most of FASAB products contain time-sensitive material (defined comment periods, Board meeting topics, etc.), the exclusive use of electronic media will allow it to focus FASAB efforts on getting the widest and timeliest dissemination of products and the broadest response base. FASAB is planning to discontinue its routine mailings and will establish a target date in the next two months to accomplish the change. Public comments are welcome as FASAB develops this plan. Contact FASAB at 202-512-7350, faxing a request to 202-512-7366 or by e-mail to fasab@fasab.gov.

Accounting and Auditing Policy Committee (AAPC) Reactivating the Inter-entity Cost Task Force

At its January 9, 2002 meeting the AAPC announced the reactivation of its Inter-entity Cost task force. The task force was originally formulated to deal with issues related to the Office of Management and Budget (OMB) *Technical Guidance for the Implementation of Managerial Cost Accounting Standards in Statement of Federal Financial Accounting Standards (SFFAS) No. 4* issued April 6, 1998. This guidance requires reporting entities to recognize several major categories of costs that are incurred by a reporting entity but are paid by other entities (this recognition is also required in SFFAS No. 4 and OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*). The initial work of this task force collected inter-entity cost information from agencies by sending a survey on inter-entity costs to each federal Chief Financial Officer in July 2000. Under its reactivation it again will assist the AAPC and OMB in developing effective guidance on inter-entity costs.

The AAPC is asking for agencies to provide representatives to this task force. The representatives will help in the information gathering by sharing agency experiences, ideas and concerns on inter-entity costs. Please contact: Monica Valentine, 202-512-7362, ValentineM@fasab.gov. ☐

2002 FASAB Meetings

April 23-24
June 18-19
August 7-8
October 9-10
December 11-12

2002 AAPC Meetings

May 9
July 17
September 4
November 6

FASAB website:
www.fasab.gov

Improved Financial Performance

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statements. Although most agencies have until 2004 to get ready for the challenge of producing their audited financial statement by November 15th, Treasury plans to meet the November deadline this year. Why this drive to accelerate? Basically it is to reduce the time dedicated to "repair work" and institute the reengineered business processes sooner. If resources are not being devoted to producing financial statements, they can be utilized to address other areas such as researching and resolving erroneous payments.

Accurate and rapid financial reporting is not an impossible task. The private sector has had financial statements since the 1930s and best in class private sector companies now close within days. The U. S. Postal Service and Social Security Administration already meet the challenge of producing audited financial statements by November 15. The most important step the agency can take is to change the way it does business and not continue to throw resources at the process. It is best to not treat financial statement production as a task but rather as a by-product of the financial management processes. Many agencies with clean opinions today must make changes because their clean opinion means that the reporting is good, not that their financial management processes are effective.

Mr. Hammond then discussed what steps should be taken to accelerate closing. He suggested getting back to basics and changing old bad habits: (1) Keep up with current reconciliations and don't treat

financial statements as an end of the year activity.

(2) Change the way management looks at data, as financial management isn't a matter of totaling up at the end of the year. (3) Consider how the information will be used and develop standards for data based upon it. (4) Look at what is owed during the year and do not limit reviews of receivables and payables to an end of the year exercise. Mr. Hammond also mentioned that more timely OMB guidance, such as credit reform estimates, is needed to meet the accelerated dates. The CFO Council will help agencies by identifying best practices, identifying and tackling roadblocks from central agencies, sharing experiences of other agencies, and encouraging the use of practices from the corporate world, such as using good estimates when "actuals" are not available. He also urged agencies to share their thinking with the audit community as they move through these steps.

Dov Zakheim, the Under Secretary of Defense (Comptroller) and CFO, spoke about current financial management practices and highlighted what they are doing to improve them. Dr. Zakheim came to the Department as Secretary Rumsfeld's point person for business process transformation in an organization that is diverse, complex, and resistant to change. Dr. Zakheim opened his talk with a discussion of how the DoD got to where it is today. He stated that there is no doubt that DoD is capable of performing; ask the Taliban. However, the department is challenged in performing financial management. It lacks business-like behavior. It has been managed through a budget system rather than through good

financial management. He holds a position, which wears the three hats of Under Secretary, budget head, and CFO. Traditionally the role focused on the budget and left financial management leadership in the hands of a Deputy CFO who did not interact with the top levels of management. Finances are just part of the problem. The department's systems are dysfunctional. There are 673 documented systems that impact financial management of which 15 percent are pure accounting and the remainder are feeder systems. However, these are just primary systems. There may be a more than 1,000 systems impacting DoD financial management by the time they are all identified.

DoD has embarked on its financial management modernization plan with an initial \$100 million investment to define a financial management architecture that will provide the blueprint to transform financial management in a coherent fashion. The goal is to have the architecture completed by 2003 and problems cleared up by 2007. This timeframe is not unusual, as Gillette took five years at the cost of \$9 million to clean up its problems.

The department has been implementing Enterprise Resource Program (ERP's) systems that are supported by the services. The goal is to have ERP's that are cost effective and consistent with the overall architecture rather than becoming an ERP "stovepipe" system for the service. The Defense Logistics Agency (DLA) is the first to achieve this. This approach fits into the department's overall plans, as it is not looking for one system, just compatible ones that can share data. □

Department of Education's New Financial Management Certificate Program

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- Treasury and address the complexities of the task in a system with over 200 appropriation accounts. Additionally, the module will address the reconciliation process for the purchase card and travel accounts.
- d) Process improvement/business process re-engineering – ED is in the process of migrating to a new general ledger system. This will be followed by a need to develop and implement system upgrades on a continuing basis. This module should provide a needs based process to ensure user requirements are identified and addressed in the improvement process. Participants should learn to understand the processes for reviewing and reengineering business practices.
 - e) Federal reporting requirements (credit reform, FACTS I & II)

- f) Standard General Ledger – provide an overview of the SGL, the crosswalks, links to core financial statements and OMB Bulletin 97-01.
- g) Appropriations Law – a basic level course in appropriations law with references to the Federal budgetary accounting process.
- h) Financial Management & Technology – This module should provide an overview of the various contemporary tools that can and should be used to effectively manage financial data including: spreadsheets, databases, SQL, basic decision support software (DSS) and others.

Design and deliver tests at the end of each training course.

For more information on the certificate program, please contact James Evans, at james_evans@ed.gov or (202) 205-0718.

Competitive Sourcing

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budget passback process. OMB has now received competitive sourcing plans from almost every agency. OMB is pleased that the civilian agencies are serious about competitive sourcing.

As for these competitive sourcing plans, OMB will not approve any plan that consists mainly of initiatives to convert functions directly to contract without competition. Mr. Kalavritinos categorically stated that relying on direct conversions will not get an agency to green.

Mr. Kalavritinos mentioned that the Department of the Interior (DOI) had one of the better competitive sourcing plans – a strong plan that shows leadership that is committed to the Competitive Sourcing Management Initiative. DOI is telling their senior managers/SES in the Office of the Secretary and the Bureaus that department leadership will look at their performance in terms of how the President's Management Initiatives are being carried forth and initiated – particularly in competitive sourcing. DOI has asked each Bureau to commit to the competitive sourcing goals and is using the scorecard concept to look at each Bureau's performance in achieving the five management initiatives. Without these internal scorecards, it would be easy to miss the targets. DOI is taking a balanced approach to competitive sourcing, including a mix of full cost competitions, direct conversions, and streamlined cost competitions. DOI has also developed a detailed communications plan to communicate the department's competitive sourcing goals/objectives to their unions, managers, all their employees, and Congressional representatives.

OMB's perspective is that there is something wrong with the current competitive sourcing process that is discouraging private sector firms from entering into competitions. There is something wrong when government employees' jobs are in limbo for over three years. The current approach to competitive sourcing is full competitions, direct conversions, and streamlined cost competitions. OMB is looking for solutions to this dilemma, whether these solutions are short-term pilot alternatives to the competitive sourcing process or permanent changes to the process, and looks forward to the forthcoming recommendations to

change the process from the Commercial Activities Panel chaired by the Comptroller General of the United States.

Mr. Sikes reiterated that competitive sourcing is about competitions. Competition drives savings and efficiencies. DOD has identified about 159,000 commercial positions in its FAIR Act Inventory. Currently, DOD has studied about 45,000 of those positions and will compete another 45,000 positions by FY 2003. These studies have generated about \$5.5B in savings over the performance periods of those competitions. The department's experience is that the savings garnered from these cost competitions average 30% of current operating costs regardless of whether the function is contracted out or stays in-house.

DOD has been engaging in cost competitions for the last 30 years. One of the problems with the competitive sourcing studies undertaken during this time was that these studies sub optimized how commercial functions were packaged for study. There was no logic behind including or excluding functions in the solicitation packages offered to the private sector. And when private industry looked at what was being competed, what was in the package made no sense. DOD was not focused on the "big picture", this being to look continuously at making the entire government work more efficiently. DOD has now changed its focus, which is to determine what its core competencies are and then determine how best to make the department work more efficiently across the entire Federal government.

DOD has formed a Business Initiatives Council chaired by the Undersecretary of Defense (Acquisitions, Technology & Logistics) and the Service Secretaries to take a new look at the department from a business perspective. With this business perspective, DOD is discussing with OMB what the department can do to help the Federal government become more efficient, instead of sub optimizing.

Regarding "getting to green", DOD has ongoing cost competitions that will enable the department to reach their 15 percent goal. DOD is awaiting recommendations from their Business Initiatives Council to determine how it will move into the future to study 50 percent of its commercial functions.

In working with industry, Mr. Sikes has found that industry is motivated, creative, and is doing good work for DOD in many areas. Mr. Sikes believes that one of the challenges in competitive sourcing is to encourage private sector firms to engage in more competitive sourcing competitions. There should be no cases where the department holds competitions and no one participates.

This has been the Defense Finance and Accounting Service (DFAS) experience. The agency recently held a cost competition for processing civilian payroll that resulted in no private sector bids. But this did not hold true for the cost competition for Retired and Annuitant Pay Operations service. ACS Government Services won that competition and is now providing this service from the DFAS centers in Cleveland and Denver. Mr. Forney told the story of how ACS won this competition.

Mr. Forney shared with the audience the private sector's approach to determining whether they will engage in competitive sourcing competitions. Three major criteria must be met before the private sector will bid – (1) does the firm have the competency to do the work and bring management talent to improve existing processes or introduce new business processes? (2) what is the return on investment – is the profit to be gained from the contract worth the investment to prepare the bid, particularly for a very large contract such as DFAS military retirement pay processing? and (3) can the firm win?. If the answer to these three questions is 50-50 or less, the firm will not participate.

ACS was concerned that, because DFAS had done a number of competitive sourcing competitions but had never awarded a competition to a private sector firm, the DFAS competitive sourcing competition for military retirement pay processing was not a good investment. There was no track record that would encourage private sector participation. But ACS decided to take a chance. This would be a large, ten-year contract

To win the competition, ACS decided to take a low risk approach in preparing their proposal. ACS believed that a low risk approach would be more successful in

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convincing DFAS that transitioning to a contractor was not bad, and would work. ACS would perform all services using the government provided automated information system and processing infrastructure. ACS also knew that the intellectual capital required to run the operation already existed in DFAS's employees, and was absolutely necessary to successfully win the competition.

Mr. Forney stated that having the incumbent workforce on their payroll was fundamental to their success. ACS did plan to recruit and retain as many government employees as possible, but did not realize how crucial the government employees were to the operation until the operation was transitioned to ACS. ACS did hire a large percentage of DFAS' workforce and senior management that ran the military retirement pay program.

Mr. Forney stated that the key to recruiting and retaining the incumbent government workforce is to convince them that ACS is a "warm and friendly" company to work for, and that they were not a threat. ACS offered the incumbent employees pay and benefits that were equal to and sometimes more than what they were earning from the government.

Also, it is essential to understand that cost competitions create turmoil for the existing affected workforce. People are in emotional despair. How you take care of people is a significant factor in their evaluating approaches

to transition. ACS wanted to do anything to alleviate the incumbent employees' concerns.

Mr. Forney personally went to speak at town hall meetings where it was announced that ACS won the competition. ACS had its own open houses and spoke to every government employee impacted by the competition. They put ACS staff members in each DFAS office, and set up a human resources office within their own company, to allow affected employees to talk to ACS to alleviate their concerns. In Mr. Forney's words, it is important to "...communicate, communicate, communicate. Establish Websites, toll free numbers, do everything possible to convince the government employees that you would be a good alternative to working for the government."

While putting people first is key to succeeding in competitive sourcing competitions, Mr. Forney also stressed that it is equally important to understand the requirements of the job. Too often, the work statements in competitive sourcing solicitations do not capture everything the contractor is expected to do. No matter how well current activities are documented, it is never enough. ACS thought they understood the requirements for processing military retiree pay, but realized that they only understood about 85 percent of those requirements. The other 15 percent was undocumented.

When business functions are outsourced, there must be a due diligence period wherein the private sector is allowed inside the operation to discover those activities/tasks that have not been written down. The private sector must be allowed to match what is actually being done with what the government documents is being done on the work statements. Simply touring a facility for an hour does not constitute due diligence.

Mr. Forney advises that for the competitive sourcing process to improve, government and industry must partner. It is crucial to ascertain that the private sector truly understands what the government is asking them to do and the goals they are expected to achieve. If no graceful partnership between government and private sector exists to get the work done, competitive sourcing will fail.

In sum, competitive sourcing is about competition. What we hear about competitive sourcing cost competitions resulting in people losing their jobs is not necessarily true. OMB wants all agencies to engage in competitive sourcing now. Process improvements are warranted. There are many ongoing efforts – within civilian agencies, DOD, and the Commercial Activities Panel – to improve the competitive sourcing process, but what we will see over the next few years will not be completely new. In Mr. Kalavritinos words, "we will amend the process, not end it." □

Mark Everson

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on behalf of the American people. At this time, almost half of the Federal workforce is engaged in commercial work that is not considered "inherently governmental." The focus of this initiative is not on outsourcing, Mr. Everson told the audience. He described efforts at the Department of Defense, which has conducted more A-76 studies than the rest of the government and has found that approximately 60% of the time, the Federal Government wins the competition and reaps savings of 20% or more. The competitive sourcing initiative focuses on achieving two benefits (1) control

and containment of costs, and (2) realizing the benefits of business process redesign. Mr. Everson said that great benefits will be achieved through competition because costs will decrease and the efficiency of the organization enhanced.

Human Capital

Strategic management in human capital is the only effort being led outside of OMB. Kay Coles James, the Director of the Office of Personnel Management, is working with agencies to develop plans that bring about greater flexibility in developing and acquiring talent and leadership throughout the Federal Government. Mr. Everson said that this initiative will be especially important to meet the recruitment and retention challenges that the Federal Government will face with increasing

severity as career employees, particularly the senior executive service, become eligible to retire.

All of the initiatives on the President's Management agenda are integrated, Mr. Everson told the audience. No one initiative can succeed without the other. The traffic light grading system provides greatly simplified indicators of our progress toward meeting the goals. Although early in the process, Mr. Everson said that initial signs indicate the system will be a highly effective method for this Administration to improve management throughout the Federal Government. □

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